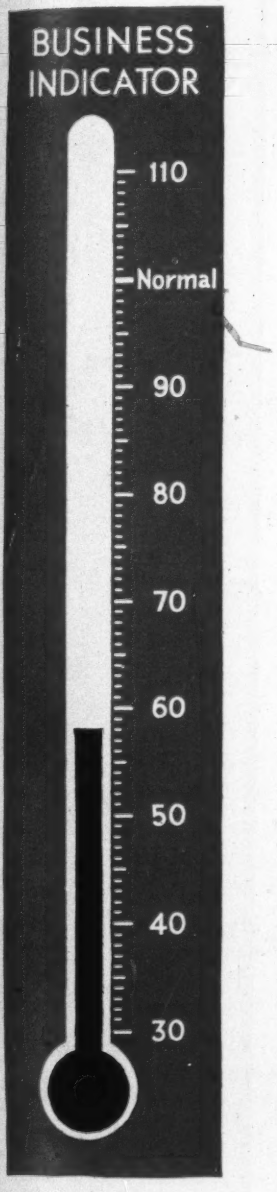
MAR 21 1932

MARCH 23, 1932

THE BUSINESS WEEK



A light frost fell upon financial markets about the Ides of March, chilling the more cheerful atmosphere of recent weeks . . . . Foreign influences were the chief factors, although the uncertain effects of the Kreuger & Toll affair were offset by the favorable outcome of the German elections . . . . Fears about balancing the federal budget in face of falling income tax returns and revolt on the sales tax feature of the new revenue bill were weakening factors in the bond market . . . . The surprising steadiness in the broad averages of stock prices since the middle of December is a significant symptom of increasing resistance to discouraging news . . . . Although some slight slow improvement in the banking position is perceptible, especially in steadiness of country bank deposits, the pressure toward expansion under Federal Reserve open-market policies is still disappointingly feeble . . . . The attitude of member banks toward cooperation with Administration efforts for credit expansion continues uncompromisingly skeptical about the possibility of speeding recovery . . . . In consequence, commodity prices continue weak and business activity still shows almost no sign of response to spring stimuli, although it seems to grow no worse . . . . Steel production has relapsed slightly under postponement of Ford production plans, and building prospects for March are less encouraging than the February figures indicated, but merchandise carloadings and electric power production show some relative improvement recently . . . . Britain is still the bright spot in the European picture.

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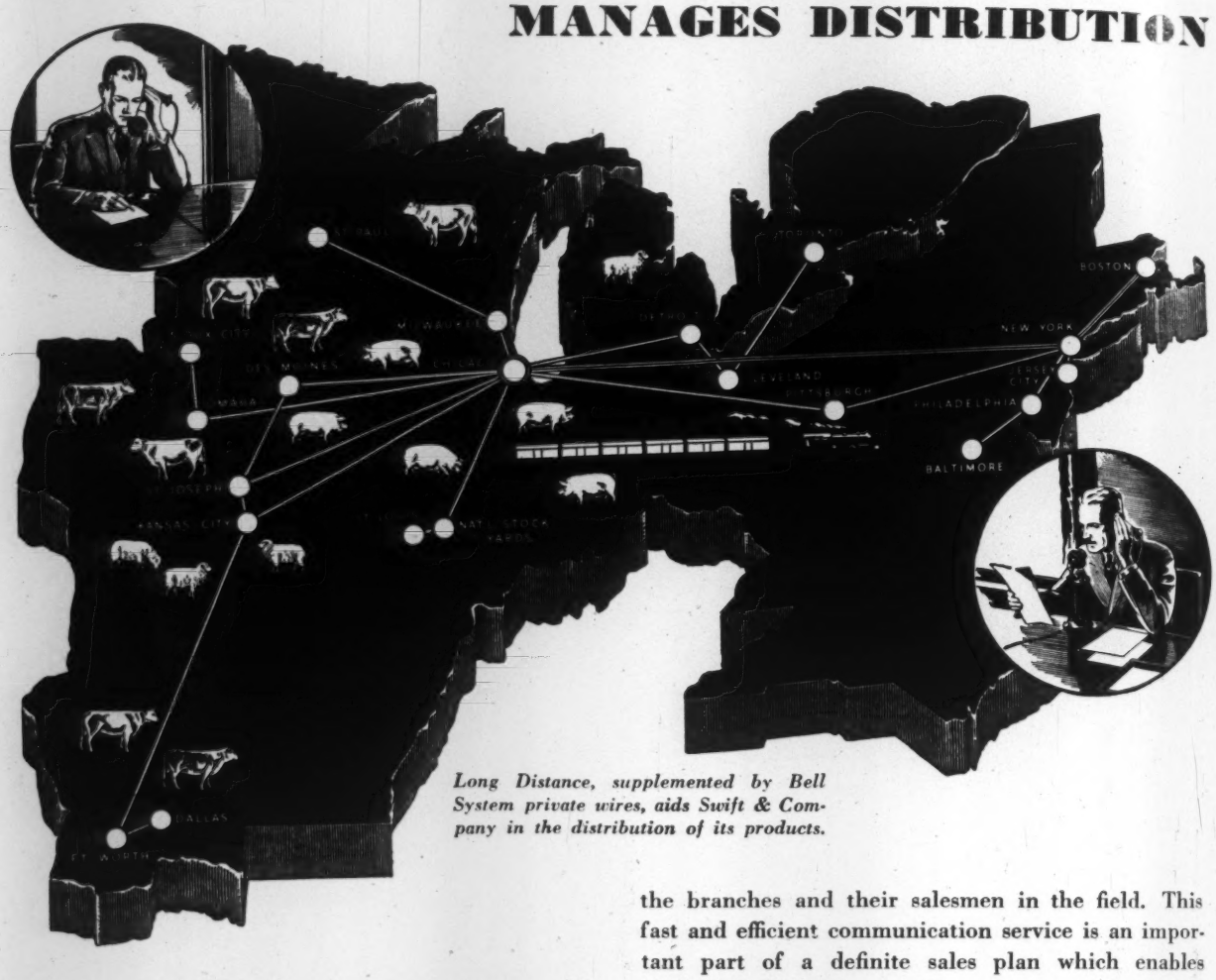
HOW A LARGE PACKER MANAGES DISTRIBUTION



Long Distance, supplemented by Bell System private wires, aids Swift & Company in the distribution of its products.

FRESH meat is perishable, and must be sold promptly. Therefore, executives of the great meat-packing organizations must keep their fingers on the pulse of markets throughout the country, so as to meet the distribution problems peculiar to their business.

Swift & Company does this largely by means of Long Distance telephone service and private wires. District sales offices also are linked to the Chicago headquarters by a Bell System private telegraph network, over which is sent last minute information.

Operations in the Pittsburgh district are typical. In this district, there are 21 wholesale branch houses. Each day, as market prices are received in the district office over the private wire network, they are given by Long Distance telephone to the branches. Communication is maintained by telephone throughout the day, between the district office and the branches, between the branches and their salesmen in the field. This fast and efficient communication service is an important part of a definite sales plan which enables Swift & Company to serve its customers quickly and economically.

Other businesses also find the Long Distance telephone of great value in solving their particular production and distribution problems. Best results are generally obtained by following a definite plan. The Bell System, to help its subscribers build business and cut costs, has developed the Telephone Plan of Market Coverage. Features of this plan can be custom-fitted to the special needs of your company.

LONG DISTANCE COSTS ARE LOW

Typical station-to-station day rates: Pittsburgh to Washington, $1; Toledo to St. Louis, $1.75; New Orleans to Indianapolis, $2.75; Boston to Kansas City, $4.50. Evening and night rates are still lower.

JUST CALL THE BELL TELEPHONE BUSINESS OFFICE

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This Business Week:

Signs

The "What to Watch" indicators changed mostly for the better. *(p. 5)*

Washington

Congress fighting the tax bill is the old one-man wrestling act, all sound and no fury. The grunting and heavy breathing is just a show of resistance for the benefit of the folks back home. That the bill will pass, sales tax and all, seems a foregone conclusion. There isn't any other way to get the money. *(p. 9)*

When Congress concludes its emergency work, there are other situations to be settled. Hearings in committee point to important changes to speed up and simplify the patent law. *(p. 18)*

Foreign

Business, climbing cautiously out of the depths, was shocked by the Kreuger tragedy. European business still trembles, even American business is a little queasy because of the reaction on its credit system. An estimate of effects, immediate and eventual. *(p. 5)*

There have been many changes in exchanges south of the Rio Grande. What do these normally good customers of ours use for money? How do they pay? These important Latin American trade questions are answered by a graphic map. *(p. 22)*

Hindenburg will probably win the second election, which will assure greater stability for Germany and a policy of financial integrity for the rest of the world. Not so encouraging is the feeling that Hitler's Nazis may ultimately come into control of the Reichstag. *(p. 26)*

Despite world depression and national despair, Germany has kept right on working out its own salvation. Rebuilding the banking system was a big step. *(p. 26)*

While the cannon in Shanghai have been distracting world attention, Japan has been quietly getting ready for its real expansion in Manchuria. First move is reorganization of the great South Manchuria Railway for the eventual exploitation of the new country's natural resources. *(p. 28)*

According to the cables, world business hesitates, awaits the outcome of the Kreuger crash. Britain continues optimistic, but France and Germany are a little uneasy. *(p. 32)*

Marketing

Home owners now have no easy way to buy repairs and alterations. U. S. Gypsum plans to merchandise a "one-stop" service to building supply dealers, contractors, and home owners. *(p. 10)*

Textile manufacturers, like steel makers, are sick of sales without profits. Some of them are telling the buyers they can't get something for nothing, are raising price. *(p. 12)*

Good roads, cheap cars, have had the same effect on operators of wagon routes—stores on wheels which go to the rural customer—that they've had on mail order houses. The largest operator is shifting to stores permanently located. *(p. 11)*

Some of the retailers who talk loudest about the "returned goods evil" are guilty of the same practice themselves. Garment manufacturers have evolved a way to stop the waste. *(p. 11)*

Labor

Since 1916, Sears, Roebuck and its employees have pooled hard-earned savings and profits to provide retirement benefits. The plan has worked well in normal times, now meets the greater needs of depression. *(p. 14)*

Seattle proposes to provide work for its unemployed by issuing city notes secured by city property and taxes, using them to pay for public construction. There are obstacles and objections. *(p. 15)*

Finance

Washington seeks to stimulate new activity by expanding short term credit; business is more interested, just now, in relieving its past and present financing problems than in taking on any new ones. A survey by *The Business Week* shows credit is wanted most for refinancing, for carrying over goods and workers. New projects must wait until old ones are finished. *(p. 6)*

Improvement in the price of silver is due to improvement in its future as money. India and China are likely to want more of it for monetary purposes. Even in this country, money scarcity has stimulated interest, mostly political, in the old monetization talk. *(p. 8)*

World credit relaxation continued, which is doubly encouraging since it might have been halted by the Kreuger crash. Germany's position weakened, and the securities markets pointed downward again. *(p. 38)*

Production

Copper producers have agreed to a further curtailment which halts further price depreciation, pulls production down to a bare 20% of capacity, below even present consumption levels. *(p. 16)*

Industry has had custom-, even production-welding for years; but now, the "weldery" is advancing to a position beside the foundry, taking on bigger jobs. *(p. 18)*

Steel, once again, tries a Detroit base price, this time including other Michigan automobile cities. *(p. 7)*

Figures

Cold weather, rather than industrial activity, boosted electric power production. Steel showed the continuing lack of automotive support. *(p. 36)*

A RACE BETWEEN A HORSE AND A LOCOMOTIVE... AND THE HORSE WON!

Baltimore, 1830. A race between a horse-drawn car and the diminutive locomotive, Tom Thumb. Spectators freely predicted the locomotive did not have a chance. At the word "Go" the horse leaped into the lead. Then the locomotive caught up . . . slowly forged ahead . . . seemed sure to win. But, at the crucial moment, something went wrong with the engine. It slowed down, lost its lead. The horse sprinted . . . and easily won the race!

• • •

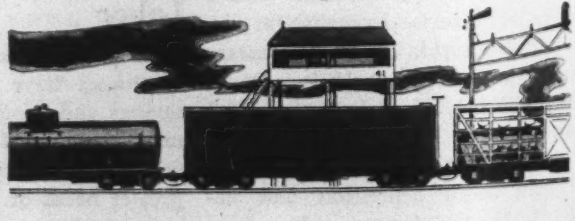
TODAY EVEN the thought of a race between a horse and a locomotive is absurd. Our modern railroads are the most efficient means of transportation man has ever known. Upon them we have erected our entire civilization.

Probably the most significant contribution the railroads have made to man's progress is their swift and certain transportation of freight. Thousands of freight trains cross the country at tremendous speed. They bring us the very essentials of life . . . food, shelter and clothing. They must arrive on time.

To insure prompt delivery the railroad must always have sufficient cars. But so many special cars are needed to take care of a nation's transportation needs that even some of the largest lines cannot afford to maintain them.

Many railroads, therefore, operate only sufficient cars of a special nature (such as refrigerator, tank and others) for their normal requirements. And, at peak seasons, they call upon the General American Tank Car Corporation for additional equipment. By doing so, they save 365 day maintenance and investment in cars used only 30 or 60 days. General American, by leasing first to one road and then to another, keeps its fleet busy throughout the year—and helps the railroads to render a more efficient service than otherwise would be possible.

Besides maintaining its vast fleet of 50,000 cars, General American builds *all types* of railroad freight cars . . . box, gondola, hopper, stock, refrigerator, milk, tank. It also operates a large public terminal and an extensive European freight transportation system. *Address Continental Illinois Bank Building, Chicago, Ill.*



GENERAL AMERICAN TANK CAR CORPORATION

BUILDERS OF ALL TYPES OF RAILROAD FREIGHT CARS

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending March 19, 1932

Financial World Not Yet Sure What Kreuger Suicide Means

Some believe its quick effects end the affair, others foresee long-term consequences

THE strange case of Ivar Kreuger was the most spectacular business news story of the week. Whether it was the week's most significant one still is a question of far-reaching importance—even beyond the wide range of Kreuger & Toll's operations.

Those who are trying to answer that question today are speculating: one group that the disconcerting suicide of the chairman of the great international holding company and president of our own International Match Co. will have only a temporarily unfavorable effect; the other that there will be widespread repercussions for a long time. The former sees the whole answer in the handful of immediately unfavorable developments; the latter is watching the progress of what have recently looked like long-term favorable ones.

What has happened to date is apparently the result of Mr. Kreuger's failure to obtain new loans to lift his massive financial load over its present difficulties. To how great an extent his difficulties were personal, rather than company matters, is still unknown.

Underlying Problems

There were greater problems underlying the immediate crisis. The Kreuger organization was a striking case of pyramided financial structure. Latest figures show that it controlled assets of far above $1 billion and it is reported that Mr. Kreuger controlled these on a personal investment of little more than a quarter of a million. While this structure was spread across Europe and the United States, it was built primarily upon the countries of Central Europe. It was obviously weakened at the foundation by currency difficulties and restricted exchanges, internally by that depreciation of securities and investments which has become epidemic. It had to confront maturing obligations with declining receipts from subsidiary concerns and grave doubts as to the payment of loans made to Central Europe.

The future of the concern will not be determined for some weeks. Control will probably remain in Sweden, though there is some remote possibility of its shifting to the United States.

The immediate effects of the suicide itself were scattered and not particularly ominous. The world's securities markets turned weak and remained so, but their weakness was not startling except in the collapse of the Kreuger shares.

Public discussion of the possible consequences is being sidestepped but serious private discussion is going on in financial circles throughout the world—from the B.I.S. in Basle to the big offices in Wall Street. So far as it has been publicly expressed, general opinion tends to minimize as the whole affair as "just another of Europe's shocks."

Those who disagree with this see these possibilities: In recent days world-wide financial confidence has been reviving after the long-lasting panicky situation which followed the collapse of Austria's Credit-Anstalt last spring. The Kreuger affair might blight this incipient recovery. Credit and finance are sensitive plants.

Some of this apprehension carries over to American financial developments, affecting those who have been skeptical of the slight budding of the Washington reconstruction program and the moderately aggressive expansionary efforts of the Reserve system. There is a question of what this latest shock may do to confidence and some even fear that the uncertainty may cause hesitation in Federal Reserve policy.

Critical Indicators Are Mostly Favorable

CHANGES in "What to Watch" indicators this week were mostly favorable.

Currency in the hands of the public

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see accompanying text for details)

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	Mar. 16	—0.4★	—1.6★
90 Stocks (Standard Statistics)	Mar. 17	—5.3	—2.5
40 Bonds (Dow Jones)	Mar. 17	—1.7	+2.2★
Brokers' Loans	Mar. 16	+1.6★	+12.4★
Member Bank Borrowings from Federal Reserve (Bills Discounted)	Mar. 16	—11.7★	—21.9★
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	Mar. 16	+2.7★	+6.8★
Bank Suspensions — Number	Mar. 10e	—0.★	—67.6★
U. S. Gold Stock	Mar. 16	+0.3★	+0.1★
Member Bank Reserves	Mar. 16	+0.5★	+0.8★
These signs should follow promptly:			
Total Loans and Investments of Weekly Reporting Member Banks	Mar. 9	—1.1	—2.4
Fisher's Wholesale Price Index	Mar. 11e	+0.6★	—0.5
The Business Week Index	Mar. 12e	+0.7★	—4.6
Employment — Manufacturing (89 industries)	January	.....	—2.8

eWeek Ending

The Business Week

continued to decline, that is, to come back into the banks. This is important at the present stage of the business situation because money returning to member banks enables them to pay off their borrowings from the Federal Reserve banks or increase their reserves so that they can lend more to their customers or add to their investments without going into debt to the Reserve banks, which they dislike.

Currency Coming Back

This is borne out by the further decline in the amount borrowed by member banks from the Reserve banks. This amount is still large because member banks have had to borrow that way to get currency to meet demands of depositors, but the fact that it is diminishing, especially in the country member banks, shows that currency is coming out of hoarding.

This tendency has been helped again by further purchases of government securities by the Reserve banks, which has put more cash at the disposal of the member banks and increased their reserves, although security purchases by the Reserve banks were offset this week by a decline in acceptances held by them. The same effect results from the increase in gold stocks, which goes into the Reserve banks to raise the reserves of the member banks that originally received the gold.

Reflected in Reserves

All these influences are reflected in the increase of member bank reserves. Such an increase would normally mean that the deposits of member banks were rising either by more money being brought to them to be deposited in time accounts and invested by the banks, or by credit being extended by them to customers. That loans and investments of member banks did not increase in the week ending Mar. 9 is partly due to the fact that the British Treasury paid off $150 millions of the Treasury notes upon which it borrowed from American banks last September, and partly to the fact that the banks are using the increased cash funds to reduce their indebtedness to the Reserve banks and are cautious about making new loans to customers or buying more securities.

The latter is the principal factor in the failure of member bank credit to expand because the New York banks, which loaned most of the British money and in which time deposits also have increased, are not borrowing anything from their Reserve bank and could use their increased reserves to expand loans and investments if they were a little more confident about business prospects.

Wide World

NEW MEMBERS—*Benjamin N. Cardozo (left) newly appointed Associate Justice, is welcomed in the Supreme Court library by Chief Justice Hughes*

Credit Demand Puts Refinancing Ahead of Any Expansion Plans

Survey shows debt situation must be cleared up before the Administration program can succeed

BUSINESS is looking for relief from past debts and current financing problems before it begins to contract the new debts or tackle the new problems involved in any response to Washington's effort to stimulate new activity by expanding credit facilities.

That statement, based on a survey of leading trade associations conducted by *The Business Week*, sums up the first situation that must be cleared up before the Administration program for recovery can succeed.

Refinancing Needed

In the industries represented by these associations the strongest demand for funds is that arising from refinancing needs. There is also a sizeable demand for loans to carry goods until they can be sold and, incidentally, to keep workers employed during the interim. Much less articulate up to now is the demand for money that will directly increase business activity in line with Washington's hopes.

This is the situation today. Association executives indicate that it might change very quickly with some assurance given to the members that stable or improving conditions were in sight.

The reconstruction planners, on the other hand, look to business to provide that assurance by using their offer of credit facilities to start the ball rolling. Whether the small apparent demand for expansion funds is sufficient to provide the initial impetus is still a question. It is obviously handicapped by the dead load of existing obligations both on business borrowing and bank lending policies. This is brought out in the reports by associations.

Want to "Clear Decks"

"To clear the financial decks for new activity and initiative," as George R. Tuthill, executive secretary of the American Machinery and Tools Institute phrases it, his members could use money to pay off indebtedness. But manufacture of the "many new products and use of the many new processes available" depend on some certainty of finding enough buyers who could pay for them. Mr. Tuthill cites a special need—some means of financing orders from small manufacturers which may amount in sum to those large orders from big concerns which can be easily financed. And he adds that this small-order business is available now.

Like so many others, the steel construction industry can readily use funds. But the demand here, according to V. G. Iden, of the American Institute of Steel Construction, is for construction loans

at something better than an 8% rate. And this is a demand for capital loans, not short-term money. While an easing of commercial credit may bring eventual benefits to his industry, Mr. Iden sees no direct indication that it will increase the amount of work available.

Waiting for a Market

The extractive industries need some short-term credit but the chief call is for long-term loans on products for which there will be no market until conditions change—ore that is being piled up on the surface while mining companies strive to keep their workers employed and meet operating costs pending the resumption of profitable sales.

Canners want bona fide short-term loans—money to finance the pack. Since hand-to-mouth buying has forced them to warehouse the pack for longer periods, the demand for banking accommodation has been increased. And since the industry has been hard-hit by the price decline the extent of this year's pack will depend largely on the ability of individual canners to get bank assistance in carrying it.

Of the furniture industry's 2,300 units rated at $5,000 and up, A. P. Haake, managing director of the National Association of Furniture Manufacturers, estimates that not less than 1,500 would like to make loans and 2,000 are in need of them. But he adds that nothing less than 6 months' accommodation will meet the need and, in most cases, a year would be required. Some 25% of the industry would benefit by banking assistance needed to get volume up to a point that would show a profit but, in many cases, either present conditions deter manufacturers from making further commitments or bankers cannot see further loans. Mr. Haake believes that an increase of 5% in volume with a consequent stiffening of prices would turn the tide for the industry. He also believes that every loan should be conditioned on a prior house-cleaning and definite acceptance of an "operation at a profit" philosophy.

Wanted For "The Duration"

In the general retail field there is an urgent call for credit by independent merchants, whose surpluses have been exhausted and whose credit has been impaired by drastic declines that have carried sales prices below costs in many cases. But the secretary of one retailers' organization which stresses this demand and cites the unwillingness of many banks to advance funds under any conditions adds that the need is for credit over the period of depression.

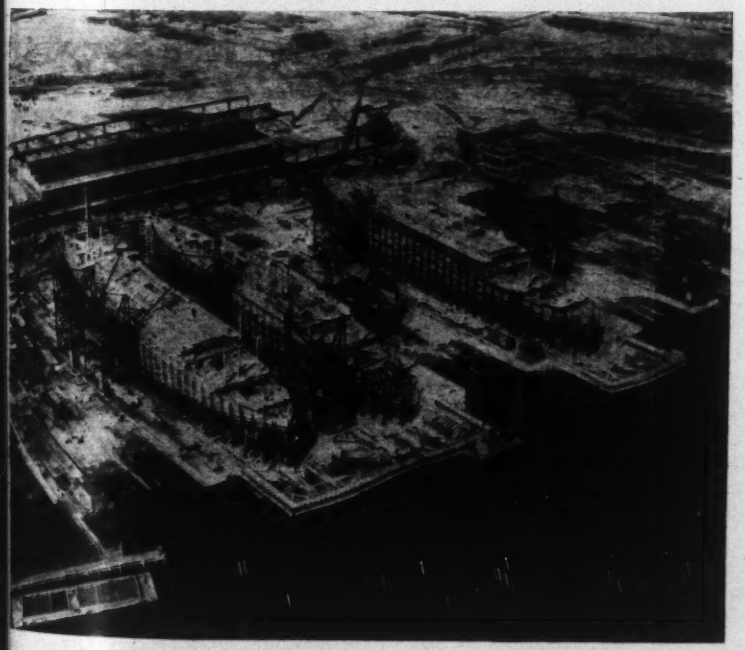
Chief demand from the retail hardware business would be for refinancing. The National Retail Hardware Association reports credit conditions "taut" with obligations running larger and longer than usual.

One large wholesale organization believes that most wholesalers worthy of credit are getting it from the regular banking sources and that the demand in that field will not be increased by recent developments.

Railroads are hopeful that the reconstruction legislation will relieve the pressure upon banks to increase liquidity, but their chief interest is in funds to meet interest payments and maturing obligations. These are being supplied—at least, in part—by the Reconstruction Finance Corp. and the Railroad Credit Corp. Beyond these requirements, they are, in many cases, looking for funds to complete unfinished projects, but it is capital and not commercial money that is needed for this purpose.

Certified public accountants, coming into close contact with the financial operations of many industries, believe that business will go slow in its application for loans for expansion, make certain that the recent legislation is going to do what it was expected to do, watch for definite signs of national stability. And D. W. Springer, secretary of the American Society of Certified Public Accountants, adds that, after its sad experience with expansionist bankers abruptly turned contractionist, it will need to be satisfied that a new enlargement of credit will not be followed shortly by a sudden demand for retrenchment.

An executive of another organization with wide contacts stresses the need for short-term loans for refinancing purposes, believes concerns that would like to borrow for the purpose of making improvements or expanding markets are in the minority but adds his opinion that credit extension to take care of old obligations "would probably work around to the point of bringing some improvement in new purchases."



Acme

$20 MILLIONS IN NEW SHIPS—*Three of four new Grace Line ships being built at Kearny, N. J., under the Jones-White Act. The Santa Rosa, to be launched March 24, is at the left*

Steel Puts a New Prop Under Detroit Prices

FOR second-quarter delivery steel bar makers will quote Detroit delivered prices $4 a ton above the Pittsburgh base rate, $2 above that of Chicago. Nearby Michigan cities will pay $1 more than Detroit. Schedules of other Michigan cities remain unchanged.

The plan is designed to stabilize Detroit prices, notoriously low because of its large steel consumption, increased competition from new local mills, water shipments from Buffalo, Cleveland, and Chicago.

The program to establish Detroit as

a basing point on bars introduced last summer and withdrawn after a few weeks (*BW—Jul22,Aug12'31*) failed because it did not take into account the fact that it imposed on consumers in Michigan cities outside of Detroit much higher prices than on those in Detroit.

The new plan gives a large consuming district in which 85% of the country's automobiles are made an opportunity to get steel bars at or near the same delivered price.

The new Detroit price is $36 a ton, a compromise between the all-freight rate from Pittsburgh and the water rate. The plan is expected to be extended to strip steel, but is unlikely to include sheets which are not shipped by water in such great tonnages.

Most steel executives hail the action as the best move yet made to stabilize prices in the industry's greatest and most troublesome market. This is necessary, they believe, to prevent major casualties among plants affected by current destructive competition. Others doubt that Detroit mills will surrender their advantages so easily, look for protests from automobile steel buyers against discrimination on bars.

Silver Rises on the Waves Of Political Agitation

INFLUENCED by several new forces and by speculation concerning them, the price of silver has been stabilized around 30¢ an ounce for some time now after reaching a low of 25¢ last year. The permanent effect of these forces is open to some question, but they have possibilities of sufficiently great moment—both as to the commodity and as to general business—to attract considerable attention.

What is happening is some increase in demand for silver, and the chance that this demand will grow.

With the sale of gold profitable at its present value, India has recently been stripping its hoards of the yellow metal (*BW—Mar16'32*). But, unless the habits of this nation of hoarders have changed—which is unlikely—the sellers must be replacing the gold with the only other metal considered as money—silver. In view of the heavy demand for gold India might even abandon her attempts at a gold bullion standard.

Mexico Uses Its Own

Mexico has recently abandoned the gold standard for silver. Since Mexico is a silver producing and exporting nation this move is not likely to create a demand in the world markets, but it may limit the supply.

In China a number of experts expect a considerable demand for silver as soon as the reconstruction of the war-torn area around Shanghai begins.

There are persistent stories that Belgium, which stopped silver coinage after the war and began to sell her stocks of silver, has changed her policy and is about to begin—or has already begun—to purchase silver for coinage. Germany also is reported about to increase her subsidiary silver coinage. However, advices from *The Business Week's* European News Bureau state that there has been, as yet, no trace of any special Belgian or German buying.

Interest in Britain lies in the increasingly strong section of public opinion inclining to some additional use of silver. Several financial leaders have urged steps toward monetization of silver.

Meanwhile, the House Committee on Coinage, Weights and Measures is holding hearings at Washington on the question of silver, and some members of the committee, at least, urge further monetization of silver. Some bankers who have appeared before it have done lip service to the proposal.

Behind these forces are the same factors which brought the silver question to a head in the campaign of 1896. Prices are low and business is depressed; the adoption of silver as money seems a way to relief. This agitation has been gathering force for some time (*BW—Jan6'32*) and is not, by any means, confined to the United States. While there still seems little chance of its being put into effect, economists are watching closely. The "silver question" may well figure in the next campaign.

Beet Growers to Split 50-50 With Refiners

UTAH and Idaho beet growers and the sugar refiners of these states will seek their profits together during 1932, under a straight participating contract that offers the farmers no guaranteed minimum price. This was agreed upon at a recent meeting held in Salt Lake City.

This year's accepted arrangement, dependent entirely upon sugar content of the beets, sugar extraction and an un-

Wide World

FROM ANCIENT LANDS—*For India, S. I. Bomanji of Bombay (center), for China, K. C. Li, of New York (right), appeal to the House Coinage Committee to push toward an international conference to improve the price of silver. Rep. A. L. Somers, N. Y., chairman, is seated at the left*

known price for sugar, gives the growers an even break with the refiners.

Thus, if the sugar extraction averages 275 lb. per ton—a fair average for some of the Utah and Idaho districts—the grower will receive as his share half of that average, or 137½ lb.

If 1932 sugar moves at 4¢ a lb., the growers' return will be approximately $5.50 a ton. If the sugar brings 6¢ a lb., the growers' return will be about $8.20.

The agreement stipulates that the first payment, Nov. 20, will be made to the growers at 90% of the October price for sugar, the refiners withholding the other 10% to guard themselves against an unexpected downward trend. The second payment will be made Dec. 15, subsequent payments quarterly until October, 1933.

New York Starts New Upswing in Savings

THE change in the trend of savings indicated by February's sharp upswing of savings deposits in New York state has aroused considerable interest, although figures are not yet available to show whether this is a country-wide movement.

Before New York's February report was published, the savings deposit figures looked like danger signs. In New York, for example, the steady increase in deposits during the earlier months of the depression ended in a series of virtually unchanged monthly totals last fall. This connoted an actual withdrawal of deposits since interest accumulations alone should have brought increases. In some other regions withdrawals wiped out not only interest accruals but considerable principal.

Past depressions have been marked by steady increases in savings, with depositors inclined to store up cash for emergency needs. Such a savings accumulation has been counted on as a factor to pull business out of depression as growing deposits resulted in increasing investments by the banks, strengthening the capital markets and thus permitting capital borrowing. It has been when business started to improve again that savings deposits have begun to decline, as depositors withdrew their funds for current expenditures.

This depression has been different. Some depositors have been forced to dig into their accounts. Perhaps more have turned hoarders. Comparisons of total savings at the end of January with the figures of a year ago show numerous declines: for 27 selected banks in the Cleveland Federal Reserve district, 12.8%; for 76 banks in the Dallas district, 15.3%; for 50 banks in the Kansas City district, 7.2%; for 63 banks in the Atlanta district, 9.1%. New York figures for that date showed a gain of 7.2%, but most of it was made in the earlier months of 1931.

Industrial Power Gain Makes '32 Look Like '29

INDUSTRIAL activity in February, as measured by electric power consumption, was 5% above January and 10% above December, the low point of the winter. *Electrical World* notes that, although a seasonal increase is normal at this time, an 11% rise in 2 successive monthly steps is greater than at the beginning of 1930, fully as great as at the beginning of 1931, or of 1929, "when belief in a new economic era was still fashionable."

The advance from December occurred in every industrial group included in the survey.

The food industry continues above last year's level. The index for the leather industry is 16.5 points higher than in December and 19% above February a year ago. The textile industry gained 10% over January, somewhat less than a year ago, but enough to keep its average for the first 2 months of 1932 at the same level as last year and far above its low point in the summer of 1930.

An examination of *Electrical World* indexes indicates that industries which directly serve consumers either are well advanced above the minimums reached several months go or the demand for their products has been so well sustained that no important sag in power consumption has taken place.

The upward trend, usual at this season, is also shown in industries producing construction and maintenance goods, although all, except lumber, remain below last year's levels.

Outcry Against the Tax Bill Is for the Most Part Just Noise

Washington observers agree that it will be little changed when Mr. Hoover signs it

WASHINGTON—Forecasters agree there will have been few changes in the tax bill when President Hoover takes his pen in hand to sign that painful instrument. Certain they are that the general sales tax will prevail. Nobody likes it, but nobody can think of any other practicable method of obtaining the necessary millions.

Right now the heavens resound with protest but it is mostly noise. Congress would not take from the victim his right of outcry. In fact congressmen will do considerable outcrying on their own account—for the benefit of voters back home. The bill is before the House "in the committee as a whole" meaning that it passes or fails without a record vote: This enables the solon to vote without the embarrassing accompaniment of the spotlight.

Secretary Mills is certain the sales tax will pass both House and Senate with no important change. It is the only one a congressman may support without risking his political neck. Higher levies on individual industries would precipitate a dog-fight with distressing regional results. The same considerations should hold the Senate in line on the main issue.

Mr. Garner, Democratic Speaker of the House, was suspected of a misstep in championing a device so universally unpopular as the sales tax. It was believed that the Democrats would suffer by the sponsorship. Now it appears that the astute speaker knew exactly what he was doing.

The sales tax appeared to be the only thing that would provide enough revenue to meet the emergency. The Administration came to realize this as fully as did the opposition. At first it was opposed by the Treasury. But the minute Democratic defection threatened in the House, the Administration marshaled enough Republican support to insure passage. Secretary Mills at first opposed but now strongly supports the measure. Here appears the great political virtue of the expedient—with both parties approving, it fades out as a party threat.

There is talk of further exemptions such as that allowed on canned goods

this week. Undoubtedly the Senate will change the measure. But the main provisions appear to be bullet proof.

Strangely complacent has been the attitude of the largest American companies to the proposed 1¢ a gallon tax on oil importations. Integrated concerns with a domestic capacity would gain at home while losing through their importing affiliates. The tax is actually a tariff. It would automatically raise the value of all oil in storage and of subsequent domestic production.

Treasury Guesses Suspect

Democrats insist that the Treasury estimate of $21 millions additional revenue from raising corporation income taxes from 12% to 13% is fantastic. They say the shrinkage that will be shown by this week's payments compared to those of last year will prove the hollow foundation of the Treasury's hopes. Both parties eagerly await the totals of the payments just made. Their emotions are mixed. The Democrats expect the collections to fall far below Administration estimates—and many Republicans are afraid the Democrats will be right.

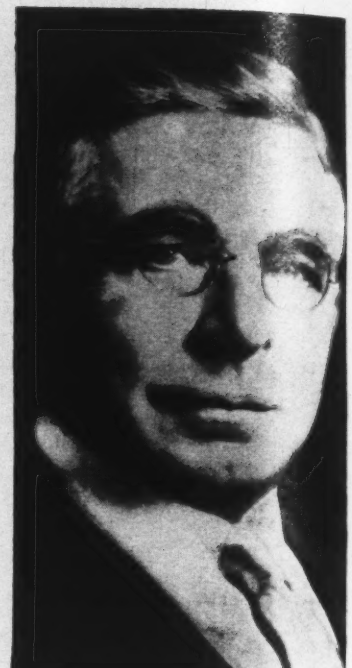
Here is a bludgeon the Democrats hope soon to employ. The Treasury estimates of late have been notoriously optimistic. Repeatedly and rudely have they been insulted by waning revenues. The new tax measure is planned to balance a lopsided budget on a basis of Treasury estimates. If the Administration's hopes of better conditions with higher revenue fail and it has to ask Congress for additional millions, the Republicans must accept the blame. And the Democrats expect this development close enough to election to irk voters.

Tactics of the Democratic leaders do not include publicity at this time. They are reeling out plenty of rope to help the Treasury hang itself, expect to officiate jubilantly at the resultant strangulation.

Garner and Byrns are disturbed over the failure of their economy program. The House refused to forbid increases in salaries of federal employees. Nor have Senators lost their taste for pork. New York advisers of the Democrats are bearing down for salary cuts. They point out that government employees have received what amounts to a salary raise in increased potency of the buying dollar at a time when additional taxes are necessary for their support. Washington, say these counsellors, is the only city where long queues wait in line at the movies.

Bear Hunt Stops

Consideration of the Glass Federal Reserve bill was welcomed by the Administration as an excuse to sidetrack temporarily the investigation of short selling. The bear investigation is a very hot potato and a lot of people would like to see it dropped. President Whitney of the New York Stock Exchange provided the Administration with a list of bear traders. It names at least one large and very important Democrat. But for every Democrat with ursine tendencies, there probably are several important Republicans. It is not a prospect which cheers. No doubt its dismal features have been paraded for the President's benefit. However, Mr. Hoover is extremely wroth at the bears and he may open up on them, letting the fur fall where it may.



Acme

STEEL'S HEAD—*Appointment of William A. Irvin, an operating man, to succeed James A. Farrell, leads observers to see presidency of Big Steel as an operating job*

Adapts "One-Stop" Service Plan To Building Supply Sales

UNITED STATES GYPSUM CO., in the management of which Sewell L. Avery has built the reputation that has made him a J. P. Morgan representative and has brought him 4 other big jobs within a year, is out with a plan to inject into its dealer organization sales ideas and methods much like those used successfully by automobile companies.

A "Home Inspection Service" is announced, will be advertised nationally. Homeowners will be asked to permit dealer representatives to inspect their property, to check things needed to be done, to submit estimates of costs of complete repair jobs, just as automobile owners use flat rate services in keeping their cars in condition. Building material and supply dealers who handle U.S.G. products along with those of many other manufacturers will be urged to establish themselves as "Service Stations for the Home" where home owners can come for any and all repair, alteration, or modernization work on their property.

In promoting the program dealers will be expected to cooperate with local contractors, who will actually do most of the work, and will enlist their aid in getting prospects, in estimating cost of jobs, and in running down actual orders. U. S. Gypsum offers various forms of assistance in carrying out the program, hopes to profit in the increased sales of its products needed in jobs developed.

One of the chief difficulties in pushing such a campaign is the lethargy of the usual building supply dealer. Normally he sells most of his materials to contractors, has few points of contact with home owners and has no special aptitude for working in this market. Plans somewhat similar to that developed by U. S. Gypsum Co. have been used by other companies in the building supply field and most have proved unsatisfactory until the burden of getting new business was placed on the individual contractors who finally do the work and are normally in closer contact with home owners.

There obviously is a need for a centralization of responsibility in handling repair work so that a home owner can get an estimate of completed cost from a single source. The dealer could best assume this function but there is some doubt among manufacturers who have tried to interest him in direct selling plans whether he can be urged into the field of selling to home owners finished

jobs for which he only supplies the materials.

A systematic survey of homes throughout the country would undoubtedly develop enormous possibilities for repair work which, in the present state of the building materials and labor markets, could be effectively sold now as an economic good and as an effective unemployment relief measure. Whether dealers and contractors are yet ready to make aggressive attacks for this potential market remains to be seen. The success of the U.S.G. plan will be watched with great interest by all concerns interested in the building field.

Wagon Routes Lead To Grocery Stores

After 32 years' existence as the country's largest nationally operating "chain" of wagon stores, Jewel Tea Co. has entered the chain store field by purchasing from Loblaw Groceterias, Inc., its 77 self-service food stores in the Chicago area and 4 stores of Middle West Stores Co.

Low-priced automobiles, good roads, easy access of rural consumers to the larger shopping centers have affected wagon selling just as they affected mail order business and necessitated the opening of retail stores by mail order companies.

While total sales of Jewel Tea Co. have followed the general trend of chain store sales, only the continual addition of new routes has made this possible during the last few years. The company increased its number of routes from 1,121 in 1928 to 1,334 at the end of 1931.

Actual performance per route dropped consistently from $13,863 in 1929 to $10,266 in 1931, while, in 1932, sales for the first 2 periods of the newly adopted 13-period year averaged 17.5% under the first 2 months of 1931.

With acquisition of the Loblaw units, Jewel Tea makes a bid for a share of the coffee, tea and food business in the more densely populated sections of the Chicago territory where wagon routes cannot be operated economically.

Significant is the fact that the company enters the chain store field via the self-service type of store, thus eliminating considerable selling expense, keeping operating costs at the lowest possible level.

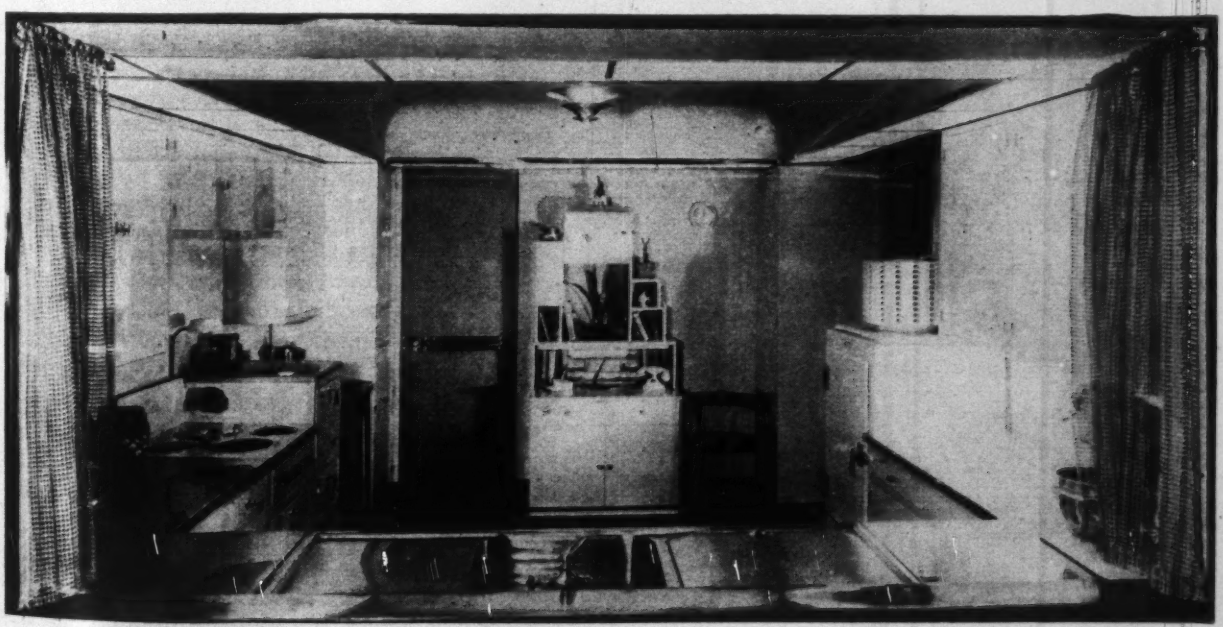
"Returns" Also Return From Retail Stores

Retail merchants, who have loudly bewailed the returned goods evil, were accused of similar transgressions at the Chicago convention of the International Association of Garment Manufacturers. Apparently depressed conditions act on merchants pretty much as on consumers; the seller being over-eager for business encourages his customer to overload.

To cut this waste the Garment Manufacturers decided on a simple and not too drastic plan to be put into operation immediately. Principally, the association will become a clearing house for information on retailers who overindulge in the practice. Members will report to headquarters the names of habitual returners. These will be published for confidential circulation and reference. Forms will be furnished on which members will detail cases of unfair returns. Any buyer mentioned in 3 such indictments will receive from the association a letter stating that he has been named as returning goods without cause and asking him to state his side of the case. This will enable manufacturers to go after addicts without peril of the retailer's ill-will.

Some Sinners Named

It is admitted that sinners have been tempted by high-pressure salesmen who overload customers or promise on their own authority that goods may be returned. Another cause is over-ordering by enthusiastic young buyers who haven't the restraint of their realistic predecessors. Growth of the evil already has tightened practices. Style merchandise is generally not subject to return. In some lines reorder goods must be ordered before return is permitted. Penalties running as high as 25% are sometimes assessed.



The Business Week

7 Sales in One—*General Electric's model kitchen as displayed in Chicago. Homeowners should buy kitchens, like bathrooms, as a unit, says G.E. Here are refrigerator, range, dishwasher, ventilator, clock, and mixer, plus lights—wrapped in one package, so to speak, advertised as a unit, handled through the refrigerator sales organization*

Tired of Selling Goods at Loss, Some Textile Mills Raise Prices

CERTAIN textile manufacturers, wearied of selling goods at a loss or at almost invisible profits, announce price increases. These advances are based principally on strength of character. Not that the new prices lack justification; the question is whether buyers, made arrogant by the deference of falling markets, will accept increases on manufactured goods when there is no significant upward swing in basic commodities.

There are favorable reports on the experiment. Whether this is due to the temporary astonishment of buyers remains to be determined. It is hoped that the trade will realize that former prices were unjustified and that manufacturers are determined to raise them. Towel makers have joined the movement, which is particularly significant since March is their big month.

Cannon Mills has put into effect average increases of 5% on some colored border Turkish towels. Lines of Moor brand Turkish towels have been similarly increased. Fairfax towels have advanced. Dundee, Muskogee, and other well-known brands hope to make increases. The advance of prices on sheets marks an attempt to stabilize another unsettled market. Cotton yarn spinners and dealers have joined the scattered attack but so far demand has shown little improvement and buyers find supplies at the old low prices.

Observers see little hope for these heroes except in cases where the product has a style appeal. Thus the chances for the towel manufacturers appear good on numbers with new shades or with colored borders that are definitely new. By this token, outlook is good for the new Indian Head Swiss of the Nashua Mfg. Co., the entire retail put-up of which has already been taken. This new line has a permanent, linen-like finish supplied by a secret Swiss process.

Another example of the vitalizing qualities of style is in the hosiery industry. Women's mesh stockings have come forward to improve conditions. The principal credit goes to the fickle shifting of customer desires. At first mesh stockings were a bit too racy for the average woman but Park Avenue looked upon them with favor. That raised them from the "fast" to the "smart" classification; made them legitimate garments for well-dressed respectables.

Blanket manufacturers look over into the promised land of better prices and predict a rise. Chances of accomplishing this are said to be slim. The mild winter put little strain on existing stocks and over-eager manufacturers are still shaving quotations.

Wide World

BUSINESS EN ROUTE—*Hudson designed this limousine for business trips and commuting to the office. Featured, is a built-in Ediphone, so installed that vibration and bad roads have no effect on the recording of dictation*

Latex Finds New Uses As a Textile Material

FOLLOWING its recent application to several of their products, textile executives are showing considerable interest in the possibilities of making further use of latex, the milky-white juice of that group of trees from which rubber is produced.

About a year ago Collins & Aikman Corp. introduced what was apparently a "seamless" rug and Lea Fabrics, Inc. announced a non-woven floor covering. Both were based upon the application of latex compounds to fabrics.

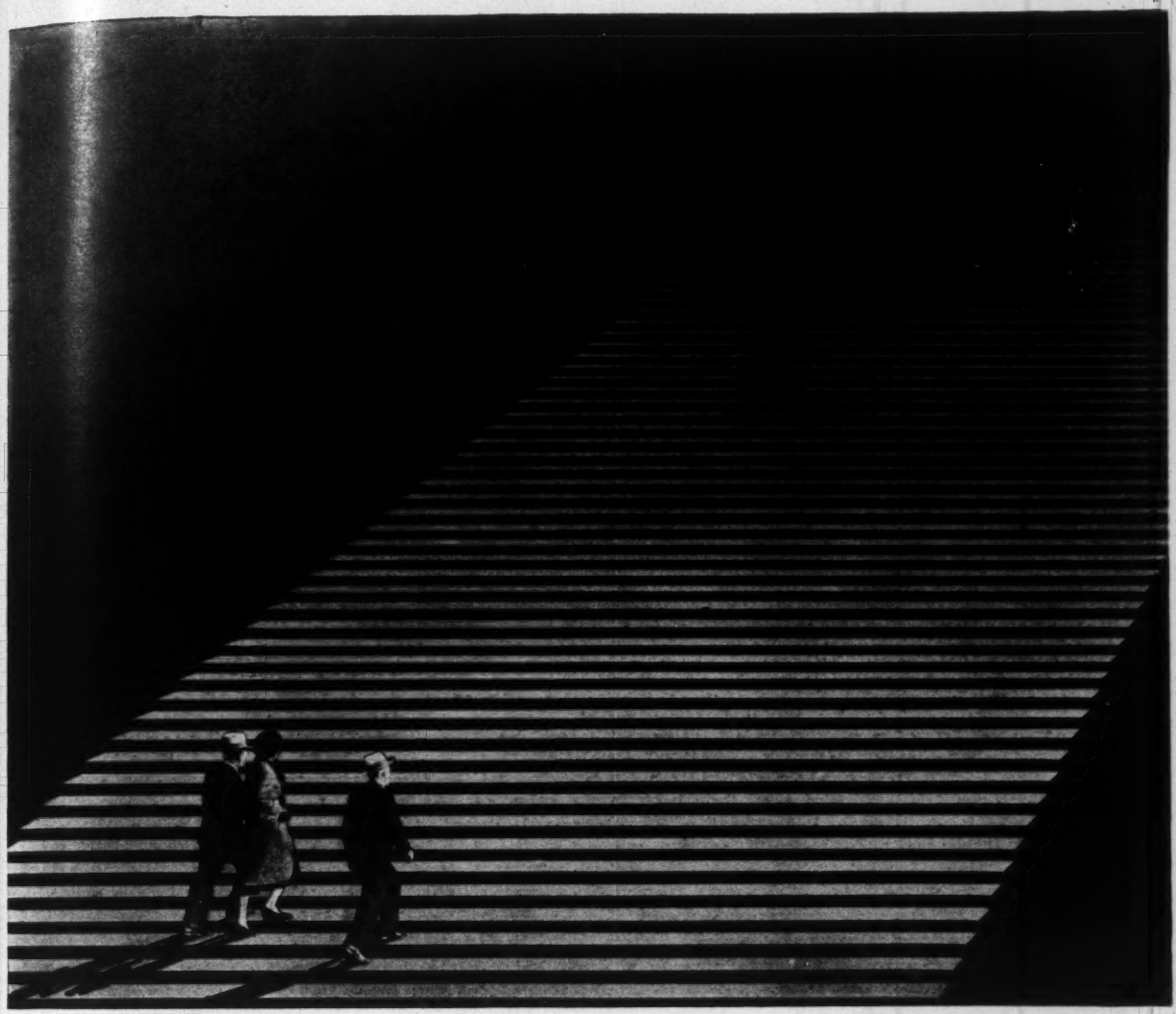
This started the industry in search of new uses and now latex has been employed to produce artificial leather, non-skid rug underlays, backing and sizing for pile fabrics, binding and strengthening for fabrics that otherwise might be too sleazy for rough usage, double-texture fabrics, non-skid backing for hooked rugs.

Easily Handled

A particular advantage of the new latex compounds is that they can be easily handled with the textile finishing equipment found in all mills. They are so adaptable to textile methods that *Textile World* believes even the production of artificial leather and the cementing together of 2 fabrics—hitherto considered to be jobs for rubber manufacturers—can both be done more economically in textile plants.

Latex compounds can be applied at room temperatures; are generally applied in a colloidal condition, suspended in water. After application the water is evaporated. They are non-inflammable and can be dried at low temperatures—250–300 deg. F. They are miscible in water with other water emulsions and can be combined with dyes that are put in a state of colloidal suspension. The chief precaution required in the use of latex is to keep copper and brass away from it.

Development of latex compounds that will withstand oxidation—the *bête noir* of rubber—dyeing, scouring and other hazards, is still a job for specialists.



PEOPLE WITHOUT ELEVATORS

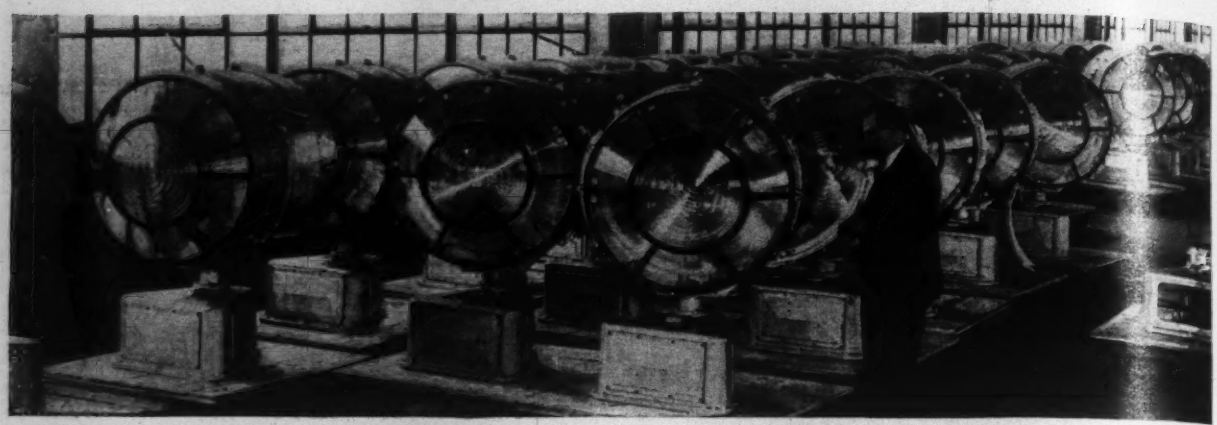
A MAN lives in an apartment out in the west-end . . . comes in on the train to an office in the heart of the city. Down in the apartment elevator in the morning. Up in the elevator a half-hour later to his office. Down in the elevator at lunch-time. Back up in the elevator to work again. Down in the elevator at five. And up in his apartment elevator again at five-thirty. He rides in an elevator at least six times a day, yet probably doesn't realize how many times he uses it, and what it means to him in his business and social life.

The modern elevator has become so much a part of our daily lives that we are not conscious of it at all. It starts so easily, ascends so smoothly and quietly, and stops so exactly level with our floor that there really is no reason for us to give it a moment's thought.

But some one thinks about elevators! Not a single improvement in elevator service and comfort but some engineer has first conceived it in his mind's eye. Within the plant of Otis Elevator Company, these engineers are busy now, searching for new ways to make the elevator serve you — and finding them!

An antiquated elevator cannot possibly give you the convenience and comfort due you in these modern days — no more than can an antiquated motor car. Knowing this, Otis Elevator Company spends a great deal of time and research in developing the means of modernizing elevators at low cost. Ask your building owner to investigate the Otis Modernization Plan at the Otis office in your city.

OTIS ELEVATOR COMPANY



Wide World

AIR TRAFFIC LIGHTS—*50 powerful new airways beacons, part of an order of 250 for the Department of Commerce, ready to leave the Cleveland factory. Making a final examination is W. A. Pennow, Westinghouse designer and engineer. Each beacon has a special 1,000-watt, 1,780,000-candle-power lamp, visible 50 miles in clear weather*

Sears-Roebuck Profit-Sharing Meets the Test of Depression

Plan to provide retirement fund plays extra rôle in an employment slump

RECENT news stories that long-service employees of Sears, Roebuck & Co., laid off because of declining business, have received cash payments of up to 3 years' salary has revived interest of employers everywhere in one of the most successful profit-sharing plans in American industry.

Payments to these workers were from reserves accumulated to their credit from their own savings and augmented by substantial shares in the profits of the company during past years.

The plan was started in 1916 by Julius Rosenwald, then president of the company, and was successful from the start. That it is still successful, despite 2 years of depression which have demoralized many plans with similar aim, is evidenced by the fact that 97% of present Sears employees are voluntary participants.

How the Fund Grows

Employees who wish to join—after 1 year of service—contribute 5% of their earnings or a maximum of $300 per month. The company contributes 7½% of its earnings—before deduction of federal taxes and dividends—and distributes the amount to individual employee accounts on the basis of 1 share to employees with less than 5 years' service, 1½ shares to those with service from 5 to 10 years; 2 shares to those with 10 years' service or more.

Even in 1931 the company contribution was around $1 million; only in 2 or 3 particularly bad years has it been less than 2½ or 3 times the total employee savings for the year. All funds are used to buy Sears-Roebuck stock at as low a figure as possible. Because of the large sums added to the funds by company contributions, even the drastic decline in stock prices during recent years has left investments of profit-sharing employees far up the black side of the ledger.

Withdrawal Provisions

After 10 years of service an employee can withdraw from the plan and receive his full share of the fund including the company contributions. With less than 10 years' service he can take out only his own deposits plus 5% interest except in 3 special cases, when the full amount contributed can be withdrawn:

(1) When the employee is dismissed for no fault of his own—which has taken care of many who have been laid off recently because of lack of work; (2) when the employee is a woman who leaves after 5 years' service to get married; (3) when the employee dies, in which case his heirs or estate receive the full amount due him.

Some remarkable results have been obtained. About a month ago a negro porter with 14 years of service retired. His maximum salary had been $28 a week and he had contributed $800 as his share of the savings fund. He drew out $14,000. A woman employee with a salary well above the average recently retired after a long period of service. She found that she could invest her share of the fund at 6% and receive in interest within $10 a month of her former salary. Average totals accumulated under the plan in 10 years are equivalent to about 15 times the amount actually contributed by the employee. This ratio increases rapidly as his service lengthens.

Its Aims Achieved

In 1916 Mr. Rosenwald stated the purpose of the plan was to permit employees who remained with the company to accumulate a fund which would provide adequately for their later years, whether or not they wished to continue working. This privilege was extended to those with long service records but who did not remain with the company throughout their active business life. An unexpressed desire was to insure a stable working force with the lowest possible turnover and, finally, to increase the interest of employees in the company, for the success of which they are largely responsible.

All of these aims appear to have been accomplished. Thousands of old employees have retired with adequate incomes for the rest of their lives. Labor turnover is virtually negligible. Participants in the profit-sharing plan now own nearly 10% of the 4.8 million shares outstanding, while individual holdings of officers and employees, of the Rosenwald Fund and family bring the holdings of those directly connected with the company to more than half the total issued.

Seattle Relief Plan Starts With the Printer

To provide work for its 40,000 unemployed—25% of the total working population—Seattle's City Council is considering a proposal to raise funds by printing an issue of city notes. These notes would carry a promise to pay the bearer face value in gold on demand after 20 years. Issued under an emergency provision in the state constitution, they would be secured by the city property and tax roll. They would circulate as currency, would be good for payments of all obligations to the city, would be exchangeable at par for interest-bearing bonds of the city and its utilities.

The Sinking Fund

A sinking fund for redemption of the notes would be provided by a 10% license tax on gross billings of purveyors of water, light, power, gas and all liquid fuels, except gasoline. In Seattle such a tax would be particularly easy to collect as there would be only 4 or 5 licensees. They would be expected to add the tax to consumers' bills.

The plan has been developed by a committee of engineers, representing local sections of national engineering societies, in collaboration with local relief agencies. It has met with considerable approval. Exceptions are certain local banking interests. Bankers do not like fiat money. It has a bad "history." Defenders of the proposal profess to see another objection from the bankers' viewpoint. The use of fiat money proposed would eliminate banking profits on the purchase and resale of local improvement district warrants. Under the proposal contractors would not need to borrow from banks to finance their work; the Emergency Relief Organization would use the new city gold notes to purchase warrants at par.

Public Works Survey

A comprehensive survey of public works needs led the engineer committee to estimate that needed construction, ready to start at once or within a few months, would call for the expenditure of more than $20 millions for local labor and materials; that it can be completed now at less cost than has been possible in many years or is likely to become possible in the near future; that the work will greatly alleviate the serious unemployment problems confronting the city; that, under the proposed financing plan, it will not cost the general fund anything

HEAVYWEIGHT DISTRIBUTION COSTS

Distribution is the greedy "fat boy" of marketing. Reduce his waistline and slim profits grow bigger. How? Here's a 16-page booklet which suggests a practical reducing program.

If you are a manufacturer attempting to serve New England customers from a distant plant, this booklet should be especially interesting.

It explains briefly the *practical* advantages of a *Boston Wharf* location. It tells how such economies as low rents, low power cost, and low insurance rates, plus splendid railroad, port, and trucking facilities can help you give prompt, efficient service at much less cost.

Your "Profit Physician" will approve of this practical booklet.

It will be mutually helpful if you will also tell us briefly what your most perplexing distribution problem is.

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Industrial Service Department — Dept. BWM

BOSTON WHARF COMPANY, 259 Summer Street, Boston, Mass.

Please mail your FREE booklet which tells how to reduce distribution costs and build up profits in New England.

Name _____ ***Position*** _____

Company and Address _____

nor will it result in increased real estate tax levies.

Much of the favorable opinion for the plan is predicated on the fact that, since Seattle is already close to its constitutional debt limit, some emergency measure such as this must be called to work if unemployment distress is to be relieved. There is some question as to whether the program may not be stymied by the 10% federal tax assessable on note issues by other than federal agencies; also as to the effect of such an exchangeable note issue on the stability of city obligations. And, finally, history seems to show that efforts to circulate at parity 2 different things called "money" do not work.

Cut to 20%, Copper Sees Signs That Bottom Has Been Reached

But the industry will be happy if the new agreement merely steadies the market

For the third time in slightly more than a year, the production of copper will be cut by international agreement in an effort to halt the steady accumulation of the raw metal and dig into the heavy stocks piled up above ground.

What luck the producers will have with this new attempt, only time can tell. Right now, curtailment seems more than ample and, unless consumption plays another tragic trick on the industry by declining further, there should eventually follow a gradual reduction in the accumulated copper stocks. Copper consumption has done some very mysterious things during the past year. No one thought that it could fall as low as it did, and no one can tell where it will be a few months from now.

Early Cuts Inadequate

A year ago, a cut of 15% in the current production was considered adequate to bring output in line with consumption. But that had to be followed by a more drastic slash to 26½% of capacity, put into effect at the beginning of this year. And even this has turned out to be insufficient.

Some producers, however, are inclined to be optimistic over the outlook. Besides the fact that the copper industry is still holding together, which is viewed as an encouraging sign for the metal's recovery, a slight improvement in demand is seen in the higher shipments from fabricating plants. This development is still insignificant, but it may mean that the downward trend of copper consumption has at last been stopped. There is also a feeling that the improving credit situation will help to stimulate the demand for copper.

The terms of the new agreement reached by American and foreign producers after 3 weeks of negotiation in New York have not been revealed. It is understood, however, that the accord provides for the curtailment of production to 20% of capacity beginning Apr. 1, compared with the present 26½%. This is expected to bring the world's monthly output of copper down to about 65,000 tons, several thousand tons below the current rate of consumption. Some producers were in favor of a complete shutdown for a time but, because of the opposition of Katanga and certain other interests, that proposal was doomed from the start.

Katanga Yields a Point

Under the last restriction plan the Katanga mines were allowed to produce for storage a substantial amount of copper in excess of their allotted quota (*BW—Dec30'31*). They have now given up this privilege, much resented by others.

The producers have agreed to continue to sell in foreign markets through Copper Exporters, Inc. This body was threatened with collapse when the new temporary rules set up for it last December expired on Mar 1. The decision to keep the export organization alive removes still further the prospect of a free copper market. Unless a new agreement is reached, Copper Exporters will function under the old rules which, among other things, exempted the marketing of fire-refined copper from the allotted export quotas.

Consumers Unimpressed

Announcement of the new curtailment has so far failed to produce much of an impression on consumers. Both here and abroad they apparently prefer to wait for further developments before deciding to enlarge their commitments.

Any spectacular rise in the price of copper is out of the question. The most that is expected from the latest restriction plan is a steadying effect on the market. Had no agreement been reached, it is probable that the price would have dropped to 5¢ a pound or under.

Wide World

To Advise Soviets—*Robert P. Lamont, Jr., son of the Secretary of Commerce, owner of a 7,000-acre Hereford ranch in Colorado, goes to Russia to decide whether he will undertake to supervise the huge livestock program there*

Copper Sheets Widened, Find Wider Uses

New uses for copper are seen in the discovery of a process by which thin copper sheets can be made much wider than is possible by rolling.

The thinnest sheets made are 0.0017 in. thick, weighing 1 oz. per sq.ft. Produced by rolling, their maximum width has been limited to 6 in. Under

the new process, developed at the Raritan Copper Works, Anaconda subsidiary, sheets of electro-deposited copper can be turned out in widths up to 30 in., which will be increased later to 48 in. or even more, if there is demand.

The wide copper sheets are adapted for protective wrapping of underground oil and gas lines against corrosion and soil stress. Another application is for covering insulating materials on pipe lines in oil refineries. Mounted on fabric, the sheets can also be used as roofing material.

An interesting possibility, now being studied by automobile manufacturers, is for car tops. Here, too, a fabric backing is required. The copper sheet, placed on the outside, is crimped and painted to give the appearance of leather. Besides complete resistance to atmospheric attack, such a top has the advantage of being fireproof.

Southern Pine Paper Mill at Last Building

DR. CHARLES H. HERTY'S long struggle to convince investors that the pines of his native South will make good white paper has reached a culmination. Construction of a plant began this month in Savannah, Ga. It is to be operated commercially. If successful, the South hopes it will be the start of a new industry.

The Chemical Foundation gave $50,000 to help build the plant; the Georgia legislature, $40,000. The Industrial Committee of Savannah and many paper manufacturers have cooperated.

Half the timber on the South's 200 million acres of woodland is pine. Northern spruce grows 1 ft. a year in height, Southern pine 3 ft. Southern pine yields 40 cords of wood an acre in 20 years; 20-year-old spruce is too small to cut.

But long ago, paper men decided on the basis of early tests that Southern pine was too resinous for anything but kraft paper. Dr. Herty, distinguished industrial chemist, made exhaustive tests, determined that sap wood of Southern pine is no more resinous than spruce. The heart wood is, but heart wood does not form until the trees are 20 to 25 years old.

There is overcapacity in the paper industry now. But it is in Canada, and besides, Southern mills would have a heavy freight preferential over large areas of the country. The Southern climate also is expected to help keep production costs down.

"Say Mike, what would you put down where it says – 'DISPOSITION OF OBSTACLE.....'?"
"I'm no cowboy, but I'd put 'MEAN'"

You've really no idea (unless, of course, *you* are a railroad man) how many forms, memos, reports and whatnot are absolutely necessary to the efficient conduct of a transportation company. But if you *are* a railroad man, you ought to know how efficiently ADIRONDACK BOND fills the bill—not to mention the additional uses for this watermarked, all-sulphite bond such as letterheads and direct mail pieces. ADIRONDACK BOND is the choice of many large users of paper today because they appreciate its evident economy as well as its many other important advantages.

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Congress Plans New Patent Law To Speed and Simplify Procedure

HEARINGS before the House Patents Committee forecast fundamental changes in the patent laws at this session of Congress. Proposed revisions fall into 3 groups: securing of patents; patent litigation; ownership of intellectual property.

There is unanimous agreement that Patent Office procedure should be speeded up. A Classification Division is proposed with some 30 expert examiners who will furnish reliable and complete information about patents for use within the Office and by patent attorneys and applicants outside.

Controversial Proposal

Another proposal, highly controversial and doubtful of passage, would throw open to public inspection any application not acted upon within 3 years. An alternative plan, better received, would terminate the life of a patent 17 years from date of issue or 20 years from date of filing, whichever termination date came first.

To facilitate prosecution of patent violations, individual and company assignees of patents are likely to be empowered to file claims without the aid of the inventor thus giving assignees full ownership and control of patents they have bought.

To simplify procedure: A proposal to permit the joining of any number of persons as members of the invention group even though but a single invention is involved. Another, that the inventor shall lose his rights for demonstrating priority beyond 2 years before his application was filed. This is expected to speed up applications and prevent the holding out of secret processes which should be patented. It is likely that only 1 signature, instead of 3, will be required on patent applications.

Renewals to Be Abolished

The patent renewal privilege will probably be abolished. A measure to prevent fraudulent practice before the Patent Office, but free of unreasonable restrictions to engineering and scientific work, will probably be made a part of the laws.

Everyone wants to speed up patent litigation, but no definite methods have yet been offered. Some want a clarification of the rights of industry to pool patents and to grant reciprocal patent rights, but again no specific measure has been presented. The proposal for a single court of patent appeals has lost much of its support.

Many are in favor of patents for mere discovery as distinct from invention but no satisfactory way of doing this has been developed. Scientists, who would be most affected by such a provision, are of divided opinion and a study is to be made to determine their real needs and desires. There is little chance of any present action.

Strong opposition exists to compulsory working or licensing requirements for patents, so it is unlikely the new law will follow most European statutes, compulsory working provisions of which have forced many American concerns to start plants abroad.

Buying at Home Stops Selling Away from Home

AN experiment undertaken by Minnesota several years ago, intended to force greater use of native stones in public construction, is now being repudiated by powerful industrial and commercial interests of the state, which contend the effort has proved harmful instead of beneficial.

A campaign is well under way for the repeal of "preference" laws of the state, and will be pushed at the next session of the legislature, in 1933.

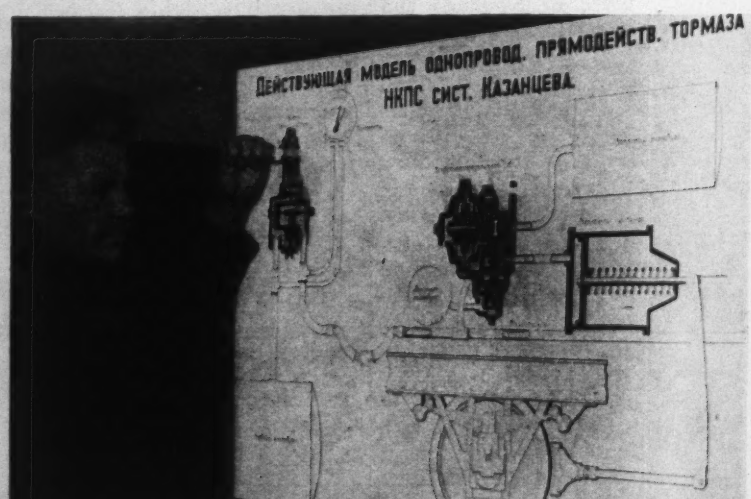
In 1923 and 1925 the Minnesota Legislature enacted statutes designed to encourage use of Minnesota stone and other native materials in buildings paid for in whole or part by the state, by requiring that preference be shown such products in letting contracts.

Since then other states, notably Pennsylvania and Wisconsin, have adopted retaliatory laws discouraging or prohibiting the use of Minnesota products in their own public edifices. The retaliatory "tariffs" do not limit themselves to construction materials, but discourage use of Minnesota-made products in general. Receipt of bids from Minnesota contractors also is frowned on by offended states.

Other states whose solicitude for the home market has promoted similar buy-at-home movements that pay little heed to economic laws or "natural" markets and supply sources are keenly interested in this kick-back to the Minnesota experiment.

Increased Use of Welding Brings the "Welder"

LUKENS STEEL CO.'s success with its Lukenweld subsidiary at Coatesville, Pa., inspires others to open "welderies." The Austin Co. of Cleveland, industrial engineers and fabricators, have just



Sovuzphoto

THERE ISN'T A PATENT IN RUSSIA—*Soviets "owe nothing to Capitalism," pay few royalties. Maybe Comrade Kazantsev invented this air brake which he is demonstrating; at least, he follows the Westinghouse school*

opened one in Cleveland. Others are under design for companies in Fort Wayne and Pittsburgh.

Industry has had custom, jobbing, and even production welding companies for years, but the weldery is supposed to be something two jumps ahead of anything else, an operation upon a plane of volume, size and sales engineering which puts it into a new category.

Lukens' Experience

Lukens, one of the oldest of steel companies, established its weldery 5 years ago. No other plant approaches it in integration of welding with the plate mill, or in supply of gases piped to the job. Welding has been employed at Coatesville to build up rolled steel sections into frames, machine tools, presses, special machinery and other products, including a specialty in heavy gear blanks. A new product is a block for an 8-cylinder marine Diesel engine weighing one-third as much as any cylinder block previously made of cast material. Coatesville will eventually produce 60 tons of welded construction a day.

Austin and Lincoln Electric

The Austins of Cleveland have been employing welding in some of their steel construction, including, in association with Lincoln Electric, the construction of the first office building of skyscraper type by welding. The company has converted some of its space in the fabricating plant to production welding for machinery makers and others.

The Steelweld Machinery Co. of Cleveland, affiliate of Cleveland Crane & Engineering, has been for 2 or 3 years building special types of presses and sheet and plate-forming machinery for a market created by the growing welding industry. Appropriately, these new machines are of welded materials.

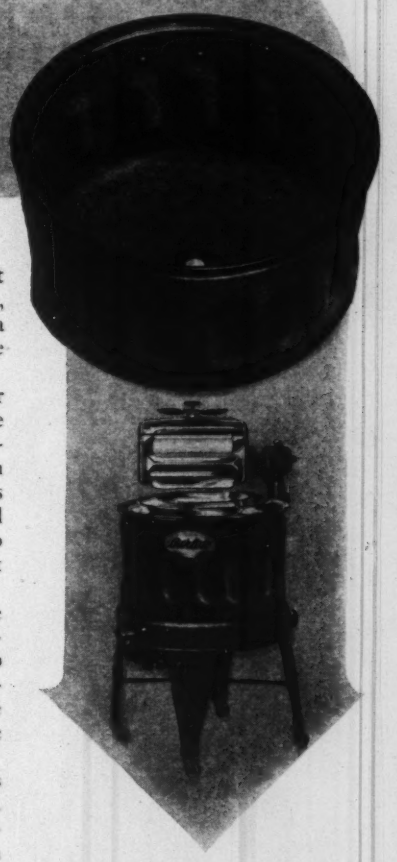
The use of rolled plate in structures of this type, particularly in the big presses known as press brakes, decreases weight, increases strength, and practically assures against breakage, according to the Steelweld people.

Advantages of Welding

Other advantages for welding as claimed by Lukenweld, Austins, Steelweld, and others: greater freedom of design, lowered weight in comparison with iron castings, elimination of patterns and pattern storage, reduction in machine work, savings in freight, faster delivery.

Introduction of rolled steel shapes into machine construction is making for straight lines in design. The product has a decidedly modernistic air, a new application of "form and function" in the industrial arts.

Before you give up your good idea as impossible...



EVERY day, good ideas are let die because they look impossible, or at least too costly. Give them a chance; do not let one opinion settle their fate.

A washing machine manufacturer had such an idea for a tub the like of which had never been made before. The tub wall was to contain fifteen deep flutes, and these flutes had to stop short of the bottom and top of the tub. Instead of giving up because of this difficulty, he brought his problem to G. P. & F.

The half century of experience, the engineering skill, the versatile equipment of G. P. & F. produced this tub at a cost which enables this manufacturer to offer a washer with exclusive advantages for a price competitive with ordinary washers.

Now, when price and sales features are so vital, don't pass up any chance. Let us give an opinion at least, especially since it costs nothing but a letter explaining what you want to do.

And on stampings or castings you have been using, send a blueprint for a bid. The experience and equipment of G. P. & F. may cut your costs.

The only washing machine with deep flutes on the tub to increase water agitation. Another exceedingly difficult stamping produced and porcelain enameled by G. P. & F.

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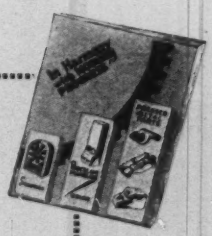

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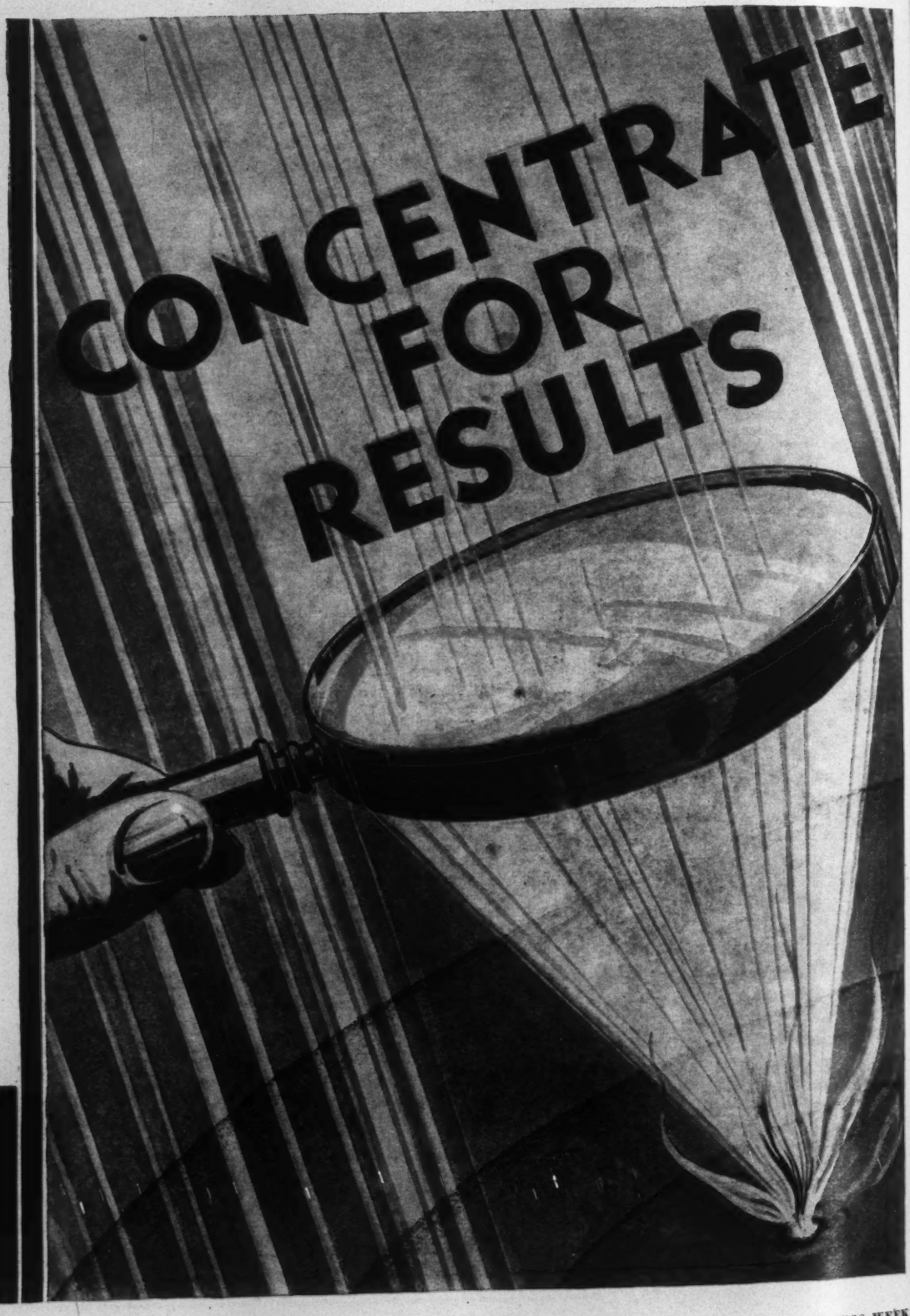
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COUNTY	POPULATION	CIRCULATION
Guadalupe	28,925*	43*
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Milam	37,915	256
Brooks	5,901	37
Jackson	10,980	117
Tyler	11,448	96
Jasper	17,064	25
Newton	12,524	10
Orange	15,149	91

(This is the actual circulation of a large Texas newspaper in rural counties entirely beyond its trading area. Name on request.)

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Not All Latin American Countries Are "Bad Pay"

AMERICANS send about 15% of their exports to Latin America. Argentina and Mexico are among our first 10 best customers; Cuba, Brazil, and Chile among the first 20.

Sporadic fluctuations in foreign exchange in these Latin markets have made it difficult for exporters. *The Business Week* presents, in the accompanying maps, the latest available information on the foreign exchange situation as summarized by the Guaranty Trust Co. in a recent survey.

In a number of countries, fluctuations of exchange value do not mean that Americans are not receiving payment for their exports. Brazil, for example, has defaulted on national obligations, and exchange has moved steadily downward, but payment of commercial dollar obligations has been fairly regular, has considerably improved in recent weeks.

Instalment Buying

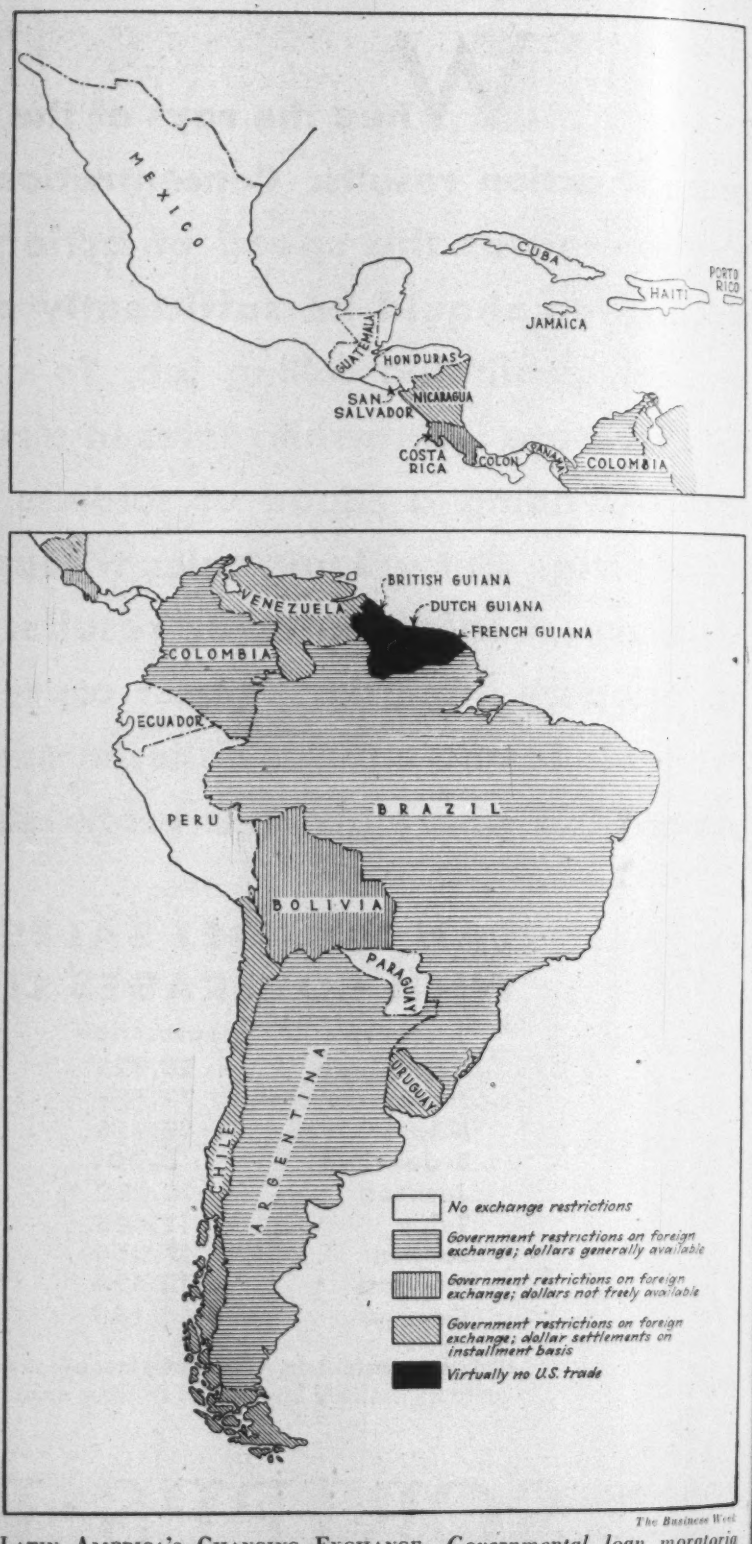
Chile and Uruguay are the best examples of "payment on the instalment basis." Chile, which has dropped precipitately from a high credit position to a low one, is meeting maturing collections at the rate of 4% every 2 months.

Uruguay, under the terms of the moratorium ratified Oct. 10, 1931, is meeting payments on collections accepted prior to Aug. 5, 1931, on the basis of 20% monthly, beginning January, 1932. A later decree allows the Banco de la Republica to change the percentage as the limited amount of exchange demands.

Mexico is really in a special category. No governmental exchange restrictions are in force, but the country's new monetary law, making the silver peso legal tender, obliges collecting banks in Mexico to accept silver pesos at the current rate for maturing dollar collections. Dollars are freely available at present and no delays in payment of maturing collections have been occasioned by lack of dollar exchange.

Argentina Relatively Good

Salvador, and to a lesser extent Honduras and Venezuela, have been delayed at times in meeting payments because of a lack of available foreign exchange, but so far settlements have been rather prompt. In Argentina, the situation is relatively good. Though governmental exchange restrictions are in force, payments have been rather prompt and on a larger volume of business than in most other Latin American countries. The Argentine is probably in the best credit position of any.



The Business Week

LATIN AMERICA'S CHANGING EXCHANGE—*Governmental loan moratoria lead some exporters to believe that all dollar collections in the countries involved have stopped. This is not true. In Brazil, commercial collections eased when the moratorium on service charges allowed more rapid accumulation of dollar exchange. The maps show the countries in which there are foreign exchange restrictions; segregate those which pay commercial maturities promptly. Where no restrictions are in force the exporter must rely on his own knowledge of his client's credit*

Wide Reading

THE GREAT FORD MYTH. Robert L. Cruden. *New Republic*, Mar. 16. Ford is no hero to his workers. He has cut wages. In 1930 the wages of the average Ford worker were less than a thousand dollars. Many workers are on the payroll only in the sense they still have their badges. More than 36% of Detroit's unemployed were former Ford workers. The accident rate at Rouge is high. Practically everyone at work in Rouge owns or is paying for a Ford car —many "under urge."

PICK YOUR CANDIDATE. *World's Work*, March. In a 2-page charted summary, party leaders state their views on 8 outstanding economic questions: tariff, prohibition, farm relief, war debts, taxation, unemployment relief, anti-trust laws, government ownership.

FRANKENSTEIN IN HOLLYWOOD. Dalton Trumbo. *Forum*, March. The talkies are utterly different from the silent film. There are excellent chances that the next few years perhaps the next few months—will witness the crash of several major producing companies. New technique is necessary for new success.

LABOR LEADS TOWARD PLANNING. Sidney Hillman. *Survey Graphic*, March. The general president and guiding genius of the Amalgamated Clothing Workers of America offers his contribution to the idea of a plan-economy for the U. S.

STABILIZING PERSONAL CREDIT. L. C. Harbison. *Executives Service Bulletin*, February. What the Household Finance Corp. is doing to help families finance current purchases.

JAPANESE "STATE-BUILDING" ACTIVITIES AT MUKDEN. General Hsi Hsia. *China Weekly Review* (Shanghai) Feb. 6. Chinese view of the Japanese domination of Manchuria, and of its economic effects.

• HOUSING: THE PRIME RAW MATERIAL. *Fortune*, March. The building site; how it is developed, subdivided, sold. Speculators, profiteers, improvements. Second of a series of significant articles on American housing.

AFTER THE AUTOMOBILE ACCIDENT. Dorothy Dunbar Bromley. *Harpers*, March. Who pays the damages? Facts and figures from various states. Data for driver; thought for the insurance executive.

SUGGESTIONS ON READINGS IN ECONOMICS FOR BUSINESS PEOPLE. Paul H. Nystrom. *Publishers' Weekly*, Feb. 27. Sale of books on the "how" and "why" of economics are booming. A recognized authority suggests some of the best books.

BOOKS

THE PARADOX OF PLENTY. Harper Leech. Whittlesey House, 203 pp., $2.50. "Natural scarcity" is passing from our world. Electric energy has become the focus of future economic change. What will be the significance on future economy, on the social setup?

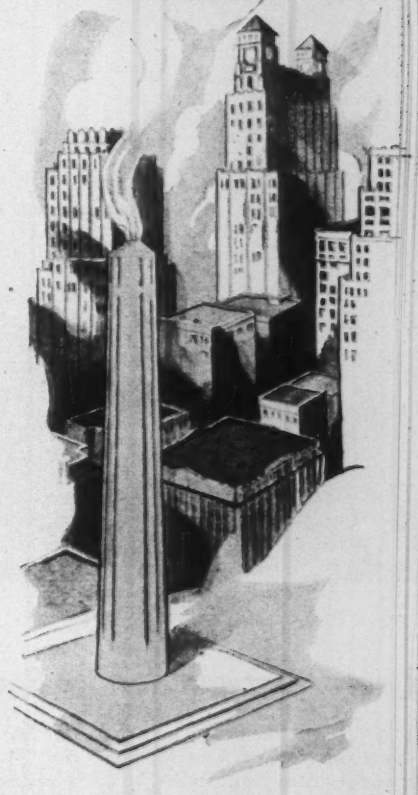
MEN WORKING: A STORY OF THE GOODYEAR TIRE & RUBBER CO. Norman Beasley. Harper, 296 pp., $3. Rise of the tire industry portrayed in the activities of Frank Seiberling and Paul Litchfield.

CANADIAN TRADE INDEX. Canadian Manufacturers' Association (Toronto), 868 pp., $6. Eighth annual issue. Survey of export trade; directory of manufacturers.

KANSAS CITY

"HEART OF AMERICA"

Is the heart of the Missouri Pacific Lines system . . . The most important gateway between the Mississippi and the Rockies it is one of the largest livestock and grain markets in the country . . . Missouri Pacific maintains here extensive storage facilities for grain; inspection and icing tracks for perishable products; and modern facilities for feeding and care of livestock . . . It is a cultural center, built about the William Rock hill Nelson Art Gallery and the Civic Music Center as well as a manufacturing and distributing center from which Missouri Pacific freight service radiates in every direction and passenger service to the



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To Omaha and Lincoln and, by connection, to Minneapolis and St. Paul and Pacific Northwest

EAST
Thru the Missouri River Valley to St. Louis with convenient connections in St. Louis Union Station to the North and East.

SOUTH
To Joplin, the White River Valley, Little Rock, Memphis and the Southeast, New Orleans and the Gulf Coast Country.

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To Wichita and Southeastern Kansas.

WEST
Via the Scenic Limited Route to Colorado Springs, Denver, Rocky Mountain resorts and thru the Royal Gorge and Feather River Canyon to the Pacific Coast.

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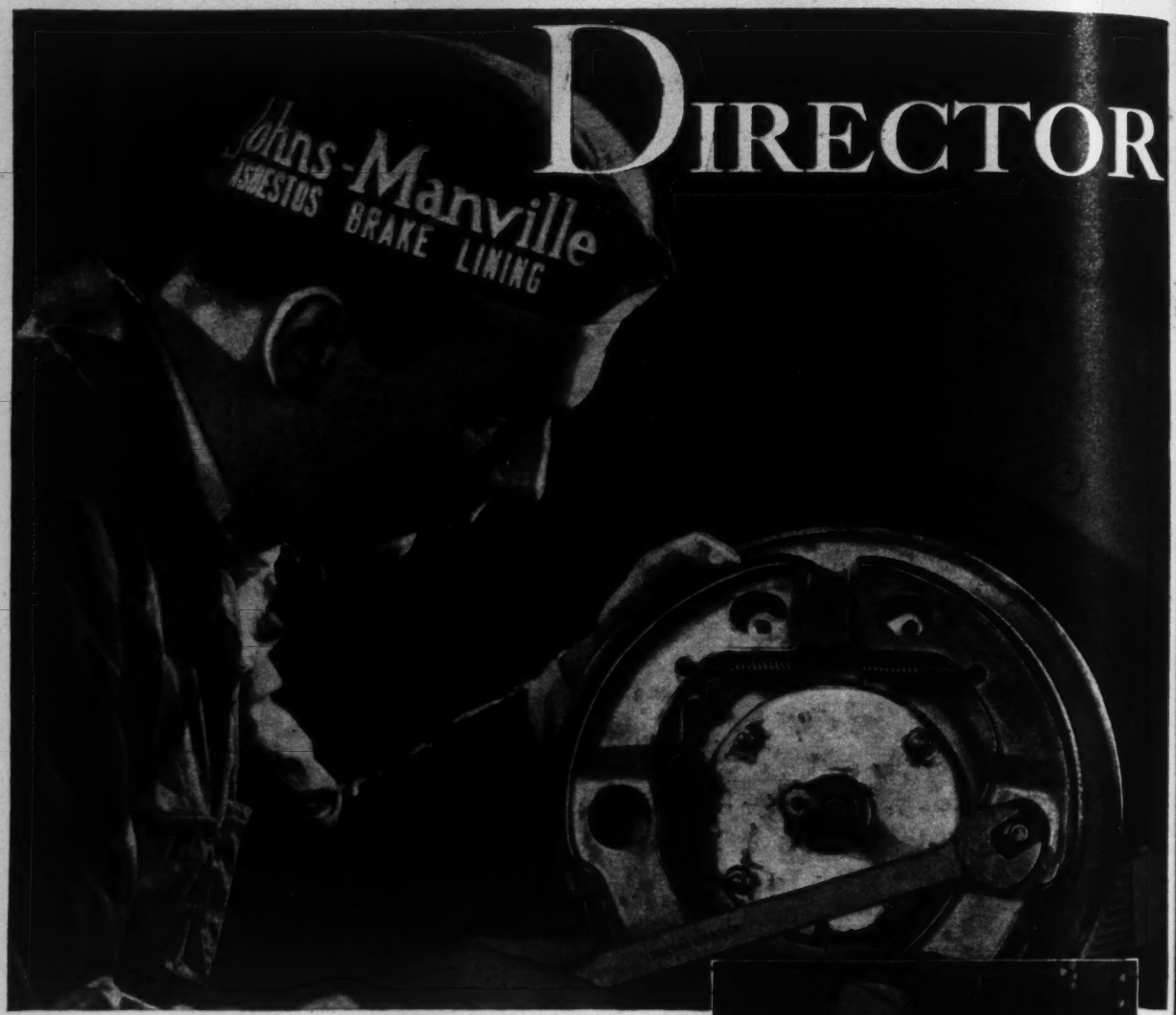


Laboratory and Service Station join Hands

The practical brake expert and the brake scientist unite. Research and actual experience join hands.

Recently, a committee of Service Station men visited the J-M Research Laboratories at Manville, N. J., were received (as pictured here) by Dr. B. Townshend, head of the Research Staff.

When informed of the agreement that smoothness of performance was the first essential of a quality lining, Dr. Townshend expressed keen pleasure that the verdict of 5,000 practical experts confirmed the development program begun 10 years ago by Johns-Manville. Long in advance of four-wheel brakes, today's fast, powerful motor cars, J-M anticipated the need for higher braking standards, proceeded with a program to fill that need.

No Smoking Here

Is this tough service—braking a rotary drilling rig? The correct answer is that it is about the hardest test that *any* brake lining can be put to—so hard that just an ordinary lining crushes and shears under the strain. But here—as in all industrial service—as on cars and trucks and buses—J-M Brake Lining does the *perfect* job—sure, consistent, dependable. It doesn't even smoke under the load.

Johns-Manville
WARS ON WASTE

# of PUBLIC SAFETY

snapped while "in conference"

The BRAKE SERVICE EXPERT, right in your town, is the man who protects your destiny on the road . . . makes your car really safe to drive. Take his advice. Patronize him.

HE doesn't sit at a mahogany desk. He has no "official business." He seldom, if ever, attends important meetings. He rarely even takes an hour for lunch.

Certainly, he isn't a "white collar" man. Yet, he holds one of the most important and responsible positions in your community.

You see him in your garage . . . in the repair shop at your car dealer's . . . in the brake service station. You know him as the brake service expert. But his real title, justly earned, is DIRECTOR OF PUBLIC SAFETY. He has more to do with your security as a motorist, Mr. Smith, your peace of mind, Mr. Jones, the safety of your family, Mr. Brown, than any other one man in town.

* * *

You can't be too careful with the brakes on your car. Faulty adjustment, inferior lining, imperfect application, inexperienced service, any one or all of these factors can cause you worry, expense and possibly a serious accident on the road.

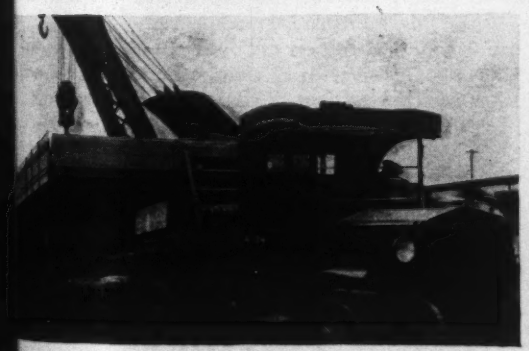
When your brakes need attention, don't trust just anybody. Go to the authorized Johns-Manville Brake Service Expert in your locality.

There is a real reason for this. Because of J-M training, J-M standards, he *knows* brakes. He knows brakes in relation to *your* car, the make, the model. His experience, precision, sense of responsibility—all will combine to save you time, money, delay—and *misfortune*.

* * *

Recently, Johns-Manville asked 5,000 brake experts all over the country what was *the* most important requirement of a brake lining. SMOOTH PERFORMANCE, this nation-wide jury replied almost unanimously—the ability to make sure, safe, consistent STOPS under any and all conditions.

That, foremost, is what 50 years of engineering and research experience have built into J-M Brake Lining and Brake Blocks. Dependability, uniformity, long life, quiet action. And that, plus long experience and training, the facilities to serve you, are *all yours* when you patronize the local J-M Brake Service Expert.



16 *Winnipeg Fleets go* 100% J-M

Up there in Winnipeg, busy city of the North, where snow and ice put sharp, exacting standards on brake performance, Johns-Manville Heavy Duty Brake Lining meets all the specifications.

Not chance, but long experience, has led 16 important fleets, representing 198 trucks, to standardize 100% on J-M equipment. And not chance, but long experience, has influenced both large and small truck and bus operators elsewhere to choose J-M, on city fleets with quick starts and stops, for hot, scorching service in the South, over the steep hazardous mountain trails of the West.

Write Johns-Manville, 292 Madison Ave., New York City—for the Brake Reliners' Manual and other service information.

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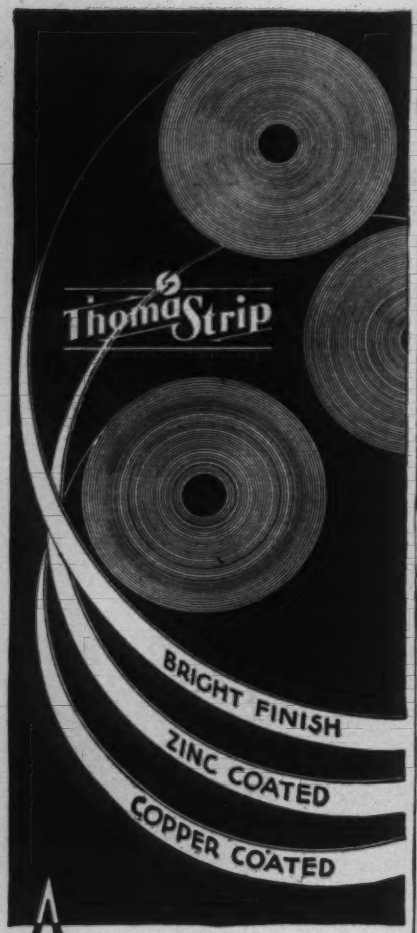
Controls
HEAT COLD SOUND MOTION
Protects against
FIRE AND WEATHER



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Thomastrip is specialized production cold rolled strip steel, as you need it, for your particular product and manufacture. An exclusive cold rolled strip steel mill, Thomas Steel individualizes the requirements of each customer, adapting finishes, ductility and material specifications to the benefit of product, quality, manufacture and cost.

Servicing many prominent manufacturers of a wide variety of products, Thomas Steel is equipped and qualified to analyze and solve your material problem. Without obligation, a Thomas representative will gladly prepare recommendations.

SEND FOR TEST SAMPLES
Specify width, gauge and finish desired.

The THOMAS STEEL CO.
WARREN OHIO

HEADQUARTERS FOR SPECIALIZED PRODUCTION COLD ROLLED STRIP STEEL

Hindenburg Victory Presages Sound Financial Policy

EUROPEAN NEWS BUREAU—Germany's presidential elections last week proved to be only preliminaries. Hindenburg was far in the lead, but he did not poll the required majority. Hitler was a strong second.

Finals—Hindenburg vs Hitler—come Apr. 10. There is every prospect that Hindenburg will be elected. The real worry is that the Reichstag ultimately will come under the Nazi (Fascist) control.

Business Encouraged

Business, watching developments in Germany closely, summarizes encouraging results which may be expected from a second Hindenburg term of office.

(1) Bruening will continue to be chancellor for the time being, will continue relatively moderate policies, constructive efforts to put Germany on her feet again financially.

(2) While Bruening has denied that Germany can resume reparations payments, there is hope for a cooperative adjustment at Lausanne. (If Hitler had come into power, the ultimate purpose of a Lausanne conference would be gone since he has declared that Germany, under the Nazis, would pay no further reparations, and also because he has completely antagonized France.)

Has Foreign Confidence

(3) The Hindenburg-Bruening government not only stands for a policy of complete integrity in meeting foreign commercial obligations, but has gained the confidence of foreign bankers by drastic efforts to meet these commitments by careful, domestic economy.

(4) French rapprochement, although Paris action has been tardy, has recently made definite advances, stands a fair chance of developing into new reciprocal trade agreements profitable to both sides.

(5) In contrast to Hitlerism, the Hindenburg government demands no immediate radical revision of Versailles, no end of "interest payments," no denationalizing of the Jews, no return of former German colonies, no "abolition of unearned income."

Though there is reasonable assurance that Hindenburg will continue to head Germany's government, many serious difficulties are still ahead.

The Berlin Boerse is cautiously attempting to return to normal functioning after being closed since last summer's crisis. On almost the first day of open trading, the Kreuger crisis struck it, forced prices down, dampened returning investment confidence throughout Europe.

Troubles Still Ahead

Not all the hopes aroused by closer Anglo-French accord on plans for a reparations scaledown, by prospects of wider markets in a Danubian economic union, or by more intensive trade with France, can hide the fact that Germany will not be able to meet even limited present commitments unless some unexpected improvement comes immediately.

Lausanne is not scheduled until May, possibly June, may drag along for many weeks. The most sanguine realize that no material effects from an economic union of Central European states can possibly be expected before fall. And French rapprochement is not likely to progress far until after French elections in April. In the meantime, Bulgaria's necessity to resort to a partial transfer moratorium and Austria's desperate financial situation have weakened public confidence.

Bank Reorganization Puts Reich in Banking Business

EUROPEAN NEWS BUREAU (*Cable*)—In the face of unfavorable conditions, the Germans have made remarkable progress in stabilizing domestic banks. Not fully appreciated by the outside world is the fact that the German government and the Reichsbank now control 2 of the country's largest banks, made possible the rehabilitation of a third. German banking is on an entirely new footing. The drastic "house cleaning" which the banks have carried through under strong governmental pressure is an attempt to close the records of the bank crisis of last summer.

On July 13, the Danat (Darm-

staedter und Nationalbank), Germany's third biggest bank, closed its doors. It was hoped at first that the crisis might be localized, but there followed a run on all other banks. The government had to proclaim a prolonged "bank holiday," virtually a moratorium.

Deposits Guaranteed

Early in August, banks were in a position to resume normal operations but only after the Reich had guaranteed the deposits of the Danatbank and supported the Dresdner Bank by taking over $70 millions of freshly issued preference shares; it paid in Treasury bills.

The banks never recovered from the withdrawal of foreign funds, internal runs and heavy losses on credits granted. For months, it was impossible to obtain credit accommodations even for the best firms, or to finance new transactions even on the most secure basis. This paralysis led automatically to new bankruptcies in industry and trade.

The banks required fresh capital if they were to resume their normal credit functions. This was not available in form of private funds, since the capital market, with stock exchanges closed, was also paralyzed. Consequently, the government had to help.

First of all, losses on debtors and participations were ruthlessly written off. This absorbed not only the entire surplus accumulated in previous years, but also necessitated the cancellation of the banks' own shares which they had previously bought up to support prices, and a reduction of stock roughly in a proportion of 10 to 3.

As a result, over 90% of the old capital was written off. The loss as far as the shareholders were concerned would have been 100%, but for the decision of the government to make special sacrifices in order to save at least a small fraction of the value of bank shares.

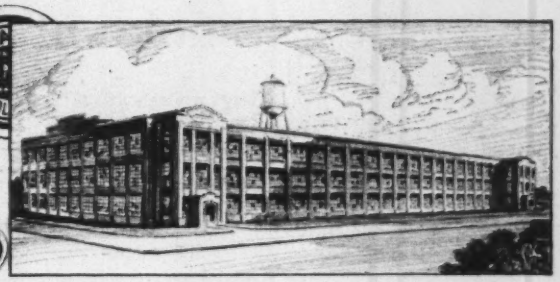
The government undertook to replenish the exhausted resources of the "Big Four," now reduced to the "Big Three" as a result of the merger of Danat with the Dresdner Bank.

Big Profits Used

The Reichsbank had made tremendous profits in 1931 due to the high rediscount rate and increased volume of loans and rediscounts. It used these profits to double the capital of the Golddiskontbank (of which it owns 97%). The latter, in turn, subscribed to the capital of the re-organized banks. The Treasury derived the funds for this particular transaction largely from the profits on new silver coin issues.

As a result of this refinancing the

1932



The Clark Thread Company Adds a Southern Unit

IT was "OUR NEW THREAD" in 1866 when George A. Clark formed The Clark Thread Company and built the first mill on Passaic Street in Newark.

The foundation was solid, the business structure sound, and successive decades saw steady growth in the number of buildings, the floor area, machines, and the number of people supported by this enterprise.

The initials O. N. T. replaced the first descriptive phrase and became a family by-word for good thread—first in millions of homes, and then in thousands of sewing plants.

As Engineers to The Clark Thread Company, it has been our task and privilege to plan, design and supervise the erection of the recently completed unit at Austell, Georgia.

J. E. SIRRINE & CO.

Engineers

Greenville **South Carolina**

An organization of national scope, prepared to serve you, regardless of location.

1866

Completion of Austell, Ga., plant gives The Clark Thread Co., a total of 2,069,789 sq. ft., or more than 47 acres, devoted to the manufacture of thread.

government finds itself in control of 2 of the country's 3 big banks. The Deutsche Bank und Discontogesellschaft was the only one which escaped a government majority interest owing to its greater liquidity and its success in issuing part of the new stock privately with leading industrial concerns, including I. G. Farbenindustrie.

The following are the chief consequences of the reorganization from the viewpoint of business conditions:

(1) Radical write-offs, combined with the influx of fresh governmental capital, enable the banks to resume normal functioning on a reduced scale which, however, is in harmony with the reduced state of business.

(2) The state becomes Germany's biggest banker through the control of the Dresdner and Commerz banks. The participation of the government, which in July seemed an emergency measure, has become a lasting institution. It is true, however, that the government has declared that it will resell as soon as possible the banking shares now in its possession.

(3) Business looks with apprehension on further centralization of the bank business. The number of D-banks is reduced from 4 to 3. The fusion of the Commerz und Privatbank with the last big provincial bank, the Barmer Bankverein, operating in the industrial West of Germany, means the approaching end of independent provincial banking and is viewed with natural apprehension by the provincial clientele.

(4) The government plan of banking reorganization claims to be "final." But is it possible and wise, the skeptics ask, to attempt a final settlement with the banks when the depression continues unabated, and when it is impossible to foresee what further surprises and losses it may occasion? Besides, the present relief action is confined to the big banks. The small ones, and especially private bankers who have probably suffered even bigger losses, have been left entirely outside.

Correction: Electrochef Deal for Canada Only

R. B. MARSHALL, vice-president and general manager, Electromaster, Inc., of Detroit calls attention to the fact that Kelvinator has not taken on Electrochef for the United States, as reported in *The Business Week* Mar. 9, but only for Canada. Some Kelvinator regional distributors in this country handle Electrochef.

Smoke of Battle in Shanghai Screens Real Push in Manchuria

Japan's program includes expansion of railroad, exploitation of national resources

JAPAN is embarking on a new career in Manchuria. Toyko is not broadcasting the news because jealous powers are still putting up a show of disapproval over the whole Japanese campaign of aggression, but Tokyo nevertheless is working busily, rapidly.

As long ago as January, Chinese reported that hotels in Dairen and Mukden were full of important Japanese officials. The Chinese did not have to eavesdrop to learn what they were doing, dubbed them "state builders."

The clouds of battle around Shanghai screened the announcement that Manchuria was setting itself up as a republic.

Now come reports of Japan's plans:

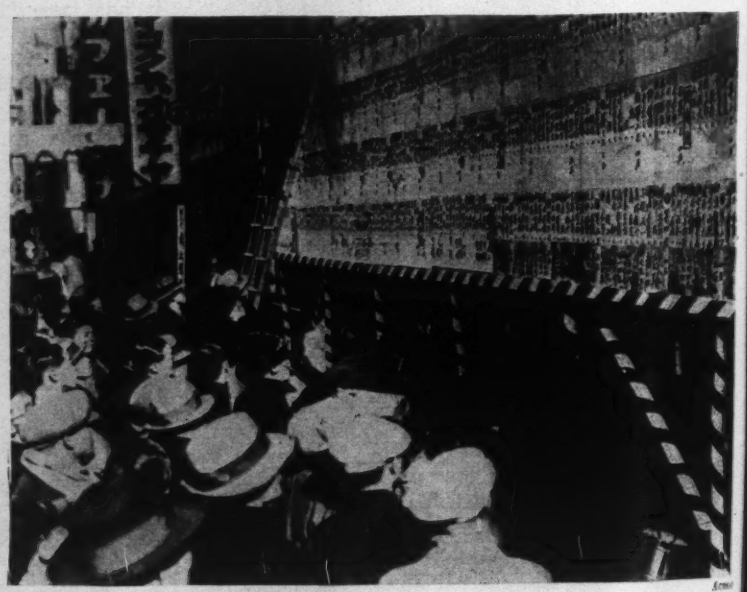
Largest Japanese holding in Manchuria, in fact Japan's greatest single enterprise, is the $1 billion South Manchuria Railway. Its lines extend for nearly 700 miles, radiate from Mukden. Controlled in connection with it are schools, utilities, machine shops, mines, steamship lines.

The South Manchuria is going to be reorganized, its capitalization increased. All railroads in the new state are to come under its general direction until the state's finances permit the establishment of a fixed railway policy and the purchase of the Russians' interest in the Chinese Eastern.

It is reported that the South Manchuria will move its headquarters from the modern port of Dairen to Mukden in order to be more centrally located to direct its huge development program.

Work is to be started at once on the long-delayed Kirin (Manchuria)-Kwainei (Korea) railroad. The South Manchuria's engineers have already surveyed the route. It will open a vast timber region, afford a second route from Manchuria to the Japanese-developed Korean ports on the northeast, and a strategic line of communication near the Soviet's Siberian border.

Manchuria, like other parts of China, has been the prey of shifting war lords, each of whom has issued his own paper currency as he saw fit. Much of this is worthless now. Japanese advisers already have the banks under their supervision, are ready to establish a new stabilized currency. At the same time,



WATCHING THE RETURNS—*Japan's elections confirmed in power the Seiyukai party which stands for a policy of inflation, government aid to depressed industry, and a strong foreign policy. All of which are behind the big plan to "add to the development of the new Manchurian Republic"*

taxes will be systematized and an attempt made to remove the traditional "squeeze" from their collection.

From Tokyo, it is reported that new government bonds to be issued in Japan between now and July may total $130 millions. Because of the condition of the market, the Bank of Japan is having to absorb most of these against fresh note issues. This has caused the gold cover to fall to 26%. If the trade balance continues unfavorable, it is likely that depreciation of the yen will force Japan to raise tariffs and/or put foreign exchange on the same strict rations that it gets in many European and Latin American countries.

Other Projects Planned

Other projects for Manchuria are proposed, but are still in the air. There is a plan to put the Japanese-controlled Oriental Development Co. on a fresh footing, aid it in exploitation of northeastern Manchuria's vast forests; erection of a nitrogen fixation plant, a magnesium refinery; exploitation of coal, iron ore, and silver resources in the Jehol and Fushun areas. More power plants will be erected in industrial centers. The limited telephone and telegraph systems will be linked with Korea and Japan. Large-scale farming is contemplated.

Japan is only faintly disguising aims which she has had in mind for years. Four major factors have forced her to make this move now:

What Forced the Move

(1) The economic situation at home is acute; unrest is serious, and spreading; the country must have surer sources of raw materials, or abandon ambitions to remain a first class power.

(2) China, despite her lack of unity, has been talking seriously of buckling down to a "10-year plan" of industrial development, one major project of which would be the opening up of the vast undeveloped area of the northwest and construction of a first class harbor across the bay from Dairen and Yinkou at Hulutao from which would radiate a network of railroads, some of them paralleling the South Manchuria.

(3) Constant conflict between Chinese government and Japanese commercial officials, which interferes more and more with Japan's commercial expansion.

(4) Realization by Japan that Russia's success under the Soviet plan makes the 2 countries increasingly competitive. A foothold in Manchuria now through "influence" in a republic there, may prove valuable in the near future.

To China, the move means a loss of prestige and potential revenue.

To the Chinese in Manchuria, it means, probably, a chance for far more secure and rapid economic development.

To Russia, it increases the chance for friction which was fairly well avoided when Manchuria was a "China's thumb" projecting between Japanese and Soviet territory, even though both claimed spheres of influence within it.

To the rest of the world, it will test Japan's sincerity to "maintain the open door" despite certain prior claims. There are those who point to the freezing out of foreign interests when Japan annexed Korea. Japan ruefully replies that Korea has proved more of an expensive luxury than a profit, that Manchuria is desired more as a free republic open to Japanese exploitation, with others, than as a Japanese colony. It remains to be seen how much chance others will have in the new state.

British and Japanese Foreign Trade Declines

FOREIGN trade figures, always important, are sometimes especially significant. Because of the abandoning of free trade, British returns will be followed closely for some months. Because of China's boycott, Japan's returns already have reacted abnormally.

February trade figures from London were unfavorable. Imports exceeded £70 millions, were considerably above the January total. Exports barely exceeded £30 millions, fell slightly more than the usual amount below January.

The British are not discouraged. February's increase in imports was due to the rush to lay in supplies before the new tariff schedules went into effect.

Japan's unfavorable February returns can be explained as readily, but are accepted with less equanimity. Imports exceeded $45 millions; exports barely passed $28 millions. The total unfavorable balance for the year is nearly $33 millions.

Tokyo has its own explanation. Increased imports are due to the prospect that the new Seiyukai government will raise tariffs, and to the fact that large purchases made in December under the influence of war scares are just now being delivered.

Exports are down, largely because of smaller purchases by China. The January analysis reveals that sales to South China were off 94%, to Central China 87%, and to North China 32%. Only to the Japanese Leased Territory in southern Manchuria did exports increase.

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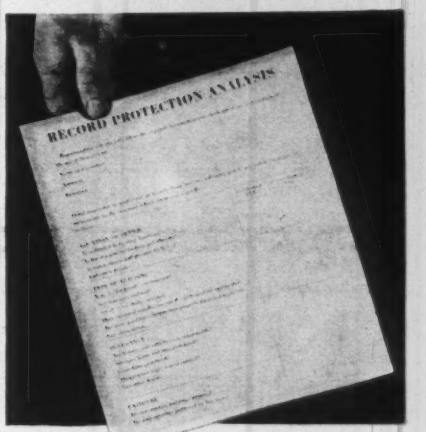

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There's a lot of news*

The Erwin Manufacturing Co., Inc., broke all production records in 1931 and the prospects for 1932 are bright for full-time operation.

Goodyear Clearwater Mills recently increased their forces 25%.

Alabama Mills Co. has assured its 1,500 employes full-time employment for several months.

Machine Departments of Four Wheel Drive Auto Co. are working 24 hours a day in three shifts; other departments are working with full crews 5½ days a week.

The Chicago-Northwestern Railroad has returned 500 men to work at its Chicago locomotive shops.

Beginning March 1, the Indiana Truck-plant began a 300% increase in production over 1931.

The Republic Steel Corp. started five sheet mills at Warren, O., in February and is accumulating sheet and bars for the first time in two years.

The Locomotive Department, Big Four Railroad, Indianapolis, resumed regular operations February 15 with 1,500 men.

Chicago, Milwaukee & St. Paul will spend 5½ millions in 1932 for road improvements alone.

Soo Line has recalled 500 men since the first of the year.

When Ford Motor Car Company began production of its eight-cylinder car and changed its design of Model A, 5,600 other companies increased operation to furnish supplies and equipment.

The Carnation Company has increased its 1932 appropriation for advertising evaporated milk 10% over 1931.

Iglehart Bros., flour milling subsidiary of General Foods Corp., has placed Swansdown mills on a 24-hour basis following a 16% increase in sales.

The Eastman Kodak Company has actively entered the food manufacturing field with "Kodapak," a transparent wrapping and packaging material for food products.

Lever Bros., Cambridge, Mass., are planning to introduce a shortening compound in 1932.

Chrysler Corp. has let contracts for a 2½-million-dollar assembly plant in Los Angeles.

Electric power equipment to cost over $80,000 will be purchased by the Bureau of Yards and Docks, Navy Department, Washington, D. C., for naval air station, Sunnyvale, Calif.

Heavy-duty motors, controls, panelboards and other industrial power equipment estimated to cost over $35,000 will be installed in the dry ice plant of the California Carbonic Ice Manufacturing Company, San Francisco, Calif.

More than $70,000 will be expended for electric power machinery and equipment for the proposed cement mill of the Edison Cement Company, Orange, N. J., in Raritan Township, N. J.

Electric tools, motors, panelboards, controls and other electric power equipment will be installed in proposed engine house and repair shops of Klamath Falls, Ore., to be built by the Great Northern Railroad Company, at an estimated cost of $100,000.

More than $150,000 will be expended by the Verde River Irrigation & Power District, Phoenix, Ariz., for electric power equipment for an irrigation program on tract of 85,000 acres.

Proposed meat-packing plant of the Malden Products Company, Boston, Mass., at Malden, Mass., will require, motors, controls, conveying, loading and other machinery, motor-driven refrigerating equipment, etc., to cost over $85,000.

Air mail poundage in 1931 totaled 9,005,000 lbs. compared with 8,003,000 lbs. in 1930.

Chriscraft shipments during first 15 days of February were 3½ times greater than entire month 1931.

Rutenber Electric Company has gone into capacity production, adding 40% to payroll.

Receipt of several large orders in the past few weeks has necessitated day and night work in several of the departments of Bodine Electric Company.

Bus operators will purchase 3,500 new buses during 1932.

Eagle-Picher Mining & Smelting has started construction of a new 3,600-ton mill, to cost $400,000, at its zinc mines in the Joplin (Mo.) district.

Homestake Mining, leading gold producer in the United States, made record production and profits in 1931 and has paid $3 per share extra in dividends within the last year.

Bovril, Ltd., has established Bovril of America, Inc., in association with Wm. S. Scull Co., Camden, N. J., to produce and market Bovril in the United States.

Yellow Pine has started production from a new gold mine in Valley County, Idaho, for which it has plans that will eventually make it the third largest gold producer in the United States.

The Burlington Road will spend about $23,000,000 in 1932 for maintenance, improvements and extensions.

The New York Central has recalled 1,100 men to Collinwood, O., locomotive shops.

By the end of April the Brown Shoe Company's plant at Murphysboro, Ill., will be running full schedule.

The pay-roll of the Lincoln Division of the Ford Motor Car Company is now the highest since 1928.

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and it's not all bad

American Can Company has placed an order for $35,000,000 worth of tin plate.

The Hammond Electric Clock Company is making 1,000,000 clocks for the Wm. Wrigley, Jr. Company to be used as dealer premiums.

After a nine-month shut-down the American Printing Company has recalled its 1,200 employes.

The Pennsylvania Railroad has ordered $1,000,000 worth of equipment from Allis-Chalmers.

Melville Shoe Company will open 50 new stores, remodel 478 others.

The Niagara Falls plant of the National Biscuit Company has the largest number of employes in its history.

The Mansfield, Ohio, refrigeration plant of Westinghouse Electric will run at capacity throughout 1932.

The New York City subway system has ordered $2,317,800 worth of equipment from the General Railway Signal Company.

The New Haven Railroad has reopened its Massachusetts maintenance shops, and recalled 2,400 men.

Radio City has ordered 500,000 lbs. of aluminum from Aluminum Company of America; 20,000 cast-iron radiators (the largest single order on record) from The American Radiator Company; 1,400,000 cubic feet of stone from the Indiana Limestone Company.

Pittsburgh sheet steel producers have set new and higher minimum prices.

Preliminary records of new passenger car registrations in January, as compiled by the R. L. Polk & Co., show an increase of nearly 19% over December.

United States Department of Commerce estimates 2,639,000 automobiles will have to go to the junk pile during 1932.

The American Telephone & Telegraph Co. plans to spend $330,000,000 for new construction in 1932.

The Erie Railroad has ordered 33,230 tons of rails; The Nickel Plate 19,000 tons.

Bendix Aviation Corp. is keeping its airplane, wheel and brake division on full-time operation and are installing machinery and equipment after working hours.

The Peoria plant of Commercial Solvents Corp. is working at capacity again.

McKesson & Robbins has taken 100,000 additional square feet of floor space in Bridgeport, to accommodate increased business.

W. T. Grant & Co. will open 30 new stores this year.

F. W. Woolworth Company will open 11 new stores in 1932.

TAKE your eyes off that falling sales chart for a few minutes and read these tales of companies that are *doing* things—that are *getting* business—that are *buying*.

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Factory and Industrial Management
Maintenance Engineering
Power

The Business Week
Management Methods

Business Abroad—Swift Survey Of the Week's Developments

World business during the week lost much of its recent financial buoyancy, some of its statistical gains, due to fear of repercussions from the Kreuger affair. . . . Britain continued most optimistic. . . . France is less confident. . . . Germany is cautious, worried, despite being satisfied over elections. . . . Japan is moving rapidly to consolidate in Manchuria, revive domestic trade. . . . Business is likely to move cautiously for a time

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe lost a part of the statistical gains, a good deal of the psychological financial buoyancy, of recent weeks when news of the Swedish "match king's" death was made public. Every world market reacted downward, though at least partial recovery set in soon.

Outstanding counterbalancing factor was the German elections. Though Hindenburg failed to receive the required majority to obviate a second ballot, his success seems assured. All Europe is relieved.

Foreign Trade

February foreign trade returns reflect the influence of tariff barriers. Britain's balance was widely unfavorable due to the rush of imports to beat the tariff. France, with all her import restrictions, failed to cut imports as drastically as exports declined. Italy's balance was unfavorable but a large cut in imports improved the year's unfavorable balance. Germany's returns, watched most critically, showed a favorable balance of over $20 millions, but a drop from even January's dwarfed returns. Prospect of maintaining even the present slender surplus is small unless the Reich can force further cuts in imports.

Other outstanding developments in hasty review:

(1) In contrast to progress on the economic union of Central European states, France placed more imports on a quota basis.

(2) Larger wheat imports are forecast in the decision by France to raise the official quota of foreign wheat for milling from 25% to 30%; by Germany to reduce the tariff on wheat and increase the percentage of foreign wheat admitted.

(3) Bulgaria has decided not to ask for a transfer moratorium on state debts now, but Turkey will default certain construction loans. This has weakened waning confidence in Central Europe's ability to "keep going" financially until there is an upturn.

(4) Commodities were generally weak.

(5) Unemployment is increasing steadily in France, is up in Italy, has not increased in Germany, declined in Britain.

(6) New issues continue to be absorbed fairly well despite heavier markets this week.

(7) Britain made a further cut in the bank rate from 4% to 3½%.

Germany

New unfavorable factors counteract satisfaction over the elections. . . . February foreign trade balance shrinks, but is still favorable. . . . Berlin threatens a "super" tariff on products from countries discriminating against Germany. . . . Turkish and Bulgarian moratoria spread gloom.

BERLIN (*Cable*)—Germany has been doomed to disappointment of late. When Hindenburg first agreed to run for president again, there were sincere hopes that he might win on the first ballot. These had pretty well vanished before the balloting Mar. 13.

Then his large majority and the practical assurance of election in April lost a large part of its potential bullishness because it coincided with the Kreuger affair. Patiently nourished financial improvement suffered a severe setback in Berlin. The absence of any bank runs, and the refusal of most of the Kreuger interests to avail themselves of the proffered moratorium stimulated at least a partial return of confidence later in the week.

Reflection over last Sunday's balloting is giving business a deal of satisfaction. Many a responsible executive is relieved of the nightmare of a Hitler victory and the ascendency of the radical policies which would have followed it. Some go so far as to believe that German radicalism has gone as far as it is likely to go. Others are still worried as they look forward to the all-important Prussian elections in another month and to the prospect of large Hitler gains.

Watched by Germans and German creditors alike are the country's foreign trade figures. The February trade balance, just announced, is favorable, but it is nearly $5 millions below the January figure which was admittedly barely enough to meet foreign commercial service charges. If the February surplus, $20 millions (reparations-in-kind excluded) is to be accepted as an average, it is already evident that Germany will not be able to meet foreign obligations. If the surplus dwindles further, and with foreign trade restrictions multiplying this seems probable, new arrangements will need to be made soon.

German Exports Shrink

Exports in February totaled $125 millions, nearly the same as in January. Imports, at $105 millions, were up nearly $4 millions. Since the government has given up almost all hope of expanding its foreign markets, there is only one further means of maintaining or increasing the trade balance by reducing imports already rationed.

To bring this about, as well as to be able to drive better bargains with certain countries, Germany has established a new extraordinary tariff. It is likely to be applied first against imports from countries with which Germany has no trade treaties. Poland and Canada may feel its effects as early as Apr. 1 unless new bargaining agreements are reached. The new tariff means an increase of 100% over the former rates.

German-Polish Pact

Negotiations to bring about a new modus vivendi with Poland have already begun and will be conducted with all possible speed. For the last 10 years, Germany and Poland have been living in a state of open or latent tariff war. The commercial treaty signed in March, 1930, was never ratified due to opposition on both sides. The opposition of German agriculturists and industrialists was mainly directed against the quotas for hogs and coal which Germany had conceded Poland under the treaty. Present negotiations will most likely result in Poland's revoking some of the discriminatory measures against Germany.

Germany, keenly aware of the precarious financial situation in the Balkans, received gloomily the report that Bulgaria is demanding a moratorium on the state's long-term debts, and that Turkey is forced to request a moratorium on various railroad and construction debts. These will affect principally German, Swedish and Italian firms.

Great Britain

Business still optimistic. . . . Flood of Continental short-term deposits revives clamor for sterling stabilization. . . . Business studies budget estimates. . . . Adverse trade balance in February due to pre-tariff rush of imports. . . . British steel production surpasses German.

LONDON (*Cable*)—Britain's tide of returning confidence, of real optimism, refused to be downed this week by possible dangerous developments growing out of the Kreuger & Toll troubles. Under the stimulus of last week's cut in the bank rate, cheered by the election results in Germany, and still stimulated by the new protection offered by the tariff, the business tone remains good, prospects for the near future comparatively bright.

London markets reacted with those on the Continent Monday, but setbacks were less serious than in either Paris or Berlin. There is still some speculation as to what effect later disclosure of the real financial status of affairs in Sweden will have on various countries in Central Europe now maintaining a precarious balance between partial liquidity and complete bankruptcy, but the City is inclined to expect no serious trouble. The Swedish financial structure received the shock stolidly and London is willing to wait for final reports on the whole affair before turning pessimistic.

Bimetallists Busy

Sterling's recent spurt, and the dislocation it caused in financial and export markets, has aroused some fears that exchange fluctuations may recur unless careful tactics are pursued. The possibility has revived public interest in a return to a metallic basis, either to gold, or to gold "with something that would help gold out." Bimetallists are busy promoting the interests of silver, preaching the beneficial effects on Far Eastern trade as well as the domestic situation. Experts are expecting that plans will soon be made to pave the way for a return to gold shortly after the Imperial Conference at Ottawa in July. Some go so far as to mention September as the month in which the world can expect Britain to return to the gold standard.

London Attracts Depositors

Unless the recent reduction in the discount rate succeeds in stemming the flow of foreign short-term deposits in London, it is possible that London will take definite restrictive action. The government retains the authority to impose special regulations. There are some who propose discriminatory low rates on foreign deposits. Others advocate stamp duties. Certainly, they claim, the London market must not risk placing itself in the weak position which will inevitably result if these short-term funds continue to come in at the present rate.

Britishers are absorbed in new budget announcements. Early in March the new estimates were presented to Parliament. On Apr. 19 they will be formally introduced. Estimates for 1932-33 are compared below with revised final estimates for 1931-32:

	(000's of £)	
	1932-33	*1931-32*
Civil	330,210	339,451
Revenue Depts.	71,818	70,163
India	115	189
Navy, Army, Air	104,364	109,635
Total	506,507	519,439

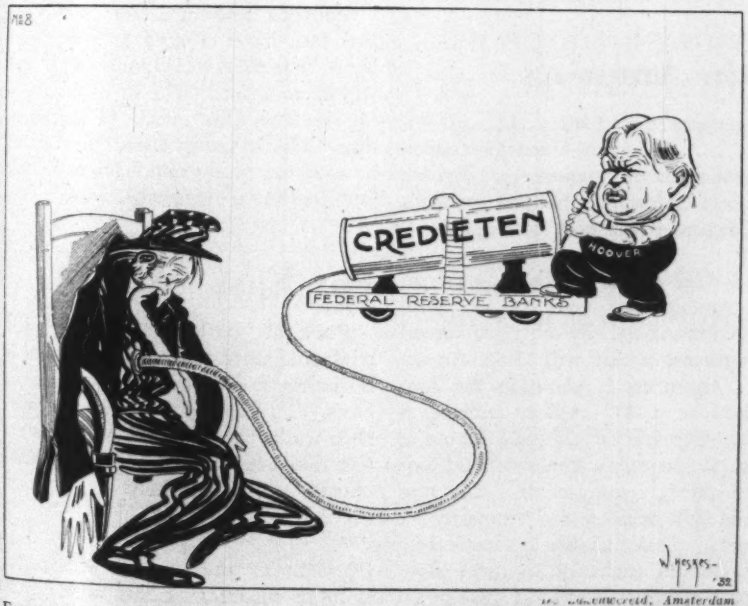
The estimates suggest that in the coming year British expenditure will be about £78 millions less than the £58½ millions level which the May Report anticipated, and which was taken as the level at which to begin the economies. This reduction includes allowance for lower unemployment payments, due to better trade, but omitting this factor, there is still to be a saving of some £64 millions. (The ideal of the May Report was £70 millions.)

Another favorable budget factor on the expenditure side is that the service of the debt will be cheaper, owing to cheaper borrowing rates, and may be cheapened again if, after Lausanne, the conversion is put through.

Much Expected at Lausanne

It is probably difficult for any citizen of the United States to realize how very strong is the hope that the Lausanne conference (nominally to settle reparations) is to solve the international debt tangle. Britishers are inclined to hope that Germany will be made eventually to pay something, but that payments be renewed only after an extended moratorium has allowed world business to get back to normal. Until these tangled debt transfers are out of the way, the price problem is held to be insoluble, and until that problem is solved the trader cannot hope for real recovery.

Britain's unfavorable trade balance in February is viewed with no alarm. Imports the last month before tariffs were bound to be large. Exports are holding their own. Cotton textiles especially are selling well in foreign markets. British steel production in January topped that of Germany, the first time this has been the case since long before the War. France kept the lead but was slipping. All Continental producers are worried by Britain's recent steadiness at a time when their production was being curtailed.



FOREIGN REACTION—*Washington abhors the dread word "inflation," thinks this logical antonym for deflation too exciting for nervous foreign ears. This cartoon, from Holland, reflects one realistic European reaction to this attitude. The caption credits Hoover with saying, "call this inflation? Nonsense! We merely call it checking deflation."*

France

Bourse recovering slowly from flurry caused by Kreuger affair. . . . Industrial indicators continue to slide; unemployment is up. . . . Fresh fruit embargo lifted but new quotas decreed. . . . Budget rushed to make way for parliamentary elections.

PARIS (*Cable*)—Even the Bourse was disappointing this week. Though due primarily to the scare caused by the unfortunate Kreuger affair, the drop in prices after the steady rise of recent weeks tended to attract attention to the unfavorable economic conditions prevailing in the country. Recovery late in the week was irregular.

There is general satisfaction over the relative success of Hindenburg, whose reelection France considers the lesser of 2 evils since it would eliminate the immediate possibility of the sharp conflict feared if Hitler won. There is still considerable apprehension over Hitler's strength and the ultimate possibility of a Nazi majority in the Reichstag.

More French Jobless

Unemployment continues to rise. In the textile industry, despite the small improvement in northern areas where moderate purchases of raw material have been resumed, 60% of the looms are still idle, and it is estimated that no less than 700,000 workers are jobless.

Commodity trends are weak. In almost every industry buying continues on a hand-to-mouth basis. Following transient improvement in February, demand for industrial coal has again declined. Metallurgical coke purchases since the first of March are only 35% of normal, reflect dull conditions prevailing in iron and steel industries.

Although moderate quantities of Kreuger & Toll securities, mostly of a non-speculative nature, are quoted on the Paris Bourse, transactions were circumscribed this week by a brokers' syndicate, which prevented extreme declines in related stocks but failed to be a sufficiently steadying force to prevent prices generally from falling 10% to 70% the first day. Bank stocks were especially hard hit. Though the market recovered some of the losses, the whole affair is taken by the French to indicate that the end of the world's financial crisis is still remote.

Americans are encouraged by the removal of the embargo on fresh fruits. Large cargoes which were on their way to France, and not a few which had reached port in the week since the ruling went into effect, will now be admitted, but only after rigorous inspection at certain specified ports.

Import Quotas

Hopeful as some foreign merchants are that import quotas eventually will be curbed, developments this week pointed in the other direction. Hardware and furniture have come under the ban, as well as agricultural machinery and rubber products, threatened a week ago. More drastic even is the possibility of a complete embargo on American typewriters and mechanical office equipment, notwithstanding the inadequacy of local production. This will mean an eventual loss to America of about $3 millions.

France is beginning to think seriously of domestic parliamentary elections. They will be scheduled after the budget is passed. Inasmuch as the Chamber of Deputies has passed the budget along to the Senate in record time, it is expected now that the Senate will finish with it before Apr. 1 and the elections may come later in April. The Radicals hope they will come soon because they feel if they come before the important Prussian Diet elections in Germany (where Hitler—the radical element—is almost sure to make large gains) they will have a better chance of making gains in France. If balloting comes after the Prussian elections, it is possible that the French, alarmed over a Hitler gain in Germany, will swing to the conservatives at home.

Latin America

Argentina and Chile curb oil imports. . . . Cosach reorganization planned without friction. . . . British tariff hits Colombian banana growers. . . . Mexico plans new coinage.

THERE were no major developments in Latin America this week.

Argentina and Chile are planning oil developments which will affect Americans. Argentina is planning the construction of a $1¼-million refinery at La Plata to refine domestically the major part of the country's annual 50,000 tons of lubricating requirements. The new refinery will have a daily capacity of 400 tons. Chile, unable to muster adequate foreign exchange to meet absolute requirements, is putting gasoline on a ration basis, trying to make comparatively small imports stretch further.

Plans for reorganization of the famed Cosach, Chile's nitrate trust, have been completed by company officials who came from New York and by representatives of the government. Details will probably be announced from New York in the near future.

The 10% duty placed on bananas by the new general tariff in Britain has added to Colombian planters' worries. Recently the French reduced the quota of bananas permitted entry from South American fields, giving a large balance of the French quota to Spain. These tariff restrictions, and greatly diminished purchases in all markets, have caused prices to drop drastically in Colombia. The United Fruit Co. is buying cautiously, accepting only prime fruit and full bunches, according to reports included in the Colombian Cable & Air Mail Weekly Service.

Argentina Active

Conditions in Argentina are generally favorable. Bonds are strong. Exports are up. As yet no announcement has been made as to the government's plans for meeting the $15-million short-term loan which comes due Apr. 1. It represents a part of the $25-million extension which was granted last year.

Of the developments in Mexico, widest interest attaches to the plans for additional silver coinage which the government is considering, with some prospect that the government will enter the local silver market soon. Mexico's requirements for additional currency were not expected to exceed 30 million pesos. A silver peso contains less than 12¢ worth of silver.

Stubborn resistance from both Cuba and Java have reduced to a minimum hopes that the International Sugar Pact will be continued. The Council is meeting in Paris this week. In the meantime Cuba is going ahead with almost unrestricted production. Prices are still low, but more steady this week.

Far East

Political outlook spotty; industrial still uncertain. . . . Shanghai is resuming business on a more normal basis. . . . Japan's mounting unfavorable trade balance may bring restrictive measures to protect yen. . . . Manchuria program likely to stimulate domestic business.

POLITICALLY the situation at Shanghai is more encouraging this week. Japan is preparing to withdraw her troops from the area. Fighting seems definitely to have discontinued. Even in Manchuria outbreaks have been reduced to small skirmishes.

Economically there is likely to be at least temporary improvement, but inherently conditions are not good.

With the termination of actual hostilities around Shanghai, business in the International Settlement is resuming some semblance of normalcy. No large reconstruction program in the devastated areas is likely to get under way soon, however, because of the uncertainty of its future status.

Shanghai Returns to Normal

Industrial plants, except Japanese establishments, are gradually resuming operations, with cotton spinning and weaving mills operating at about 35%, and flour mills and cigarette factories at 60%, of capacity. No plants are yet operating night shifts and all of them are experiencing some difficulties in locating their skilled laborers.

Building operations in the Shanghai area which was not directly affected by hostilities have resumed about 60% of normal following inactivity for over a month. Total loss to Shanghai business incident to the hostilities is expected to reach $65 millions.

Shipping still shows no improvement. Hongkong wharves and warehouses are congested with freight shipments originally destined for Shanghai. Anti-Japanese boycott activities are reported very effective in Hongkong and throughout South China.

Japan Business Slack

Reports from Japan lack completeness. Domestically the situation is unfavorable. February foreign trade showed an unfavorable balance of $17 millions. Merchants declare it is due to numerous arrivals of large cotton orders placed late last year, of wheat, beans, and iron being brought in because of the prospect of a tariff.

January foreign trade has been analyzed carefully, shows how heavy have been the losses due to the Chinese boycott. Shipments to South China alone fell 94%. Other parts of China bought much less than usual (page 29).

Official Tokyo is busy with plans for immediate development of Manchuria (page 28). Details are being kept under rather close cover because of disapproval among the powers of Japanese aggression in the new republic, but it is known that the South Manchuria railroad is being reorganized to handle vast new expansion. Credit inflation is probable.

Unless there is some immediate relief, it is probable that imports will be put on a license basis, or foreign exchange rationed, to steady the yen, which has been forced back recently to around 30¢.

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The Figures of the Week And What They Mean

Conflicting trends characterize the business records at present. . . . While two important groups of freight traffic reached a new high for the year to date, total loadings were unable to break through the January levels. . . . Cold weather rather than industrial activity gave a spurt to electric power production. . . . Steel operations reflect the continued failure of support from the motor industry. . . . Outstanding currency is declining, but commercial loans are being sharply contracted as spring trade prospects grow dimmer. . . . Commodity prices gave way slightly following the declining trend of stocks and bonds.

THE failure of the automobile industry to expand its activity during the early weeks of March following the wide publicity given Mr. Ford's proposed expansion program has removed the major prop of the steel industry's hope for a sharp upturn in the first quarter. According to Dow, Jones the operating rate of the industry has received a setback to slightly more than 25% of capacity. Since this is directly contrary to the usual trend of steel activity, the adjusted index has fallen 3 points to 32% of normal for the week ending Mar. 14. Since the beginning of 1932 steel activity has fluctuated between the narrow limits of 22% to 28% of capacity, while in 1931 production rose steadily from 36% to 56% in the same period.

Steel Orders Slow

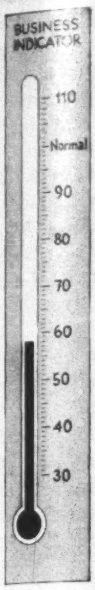
Mr. Ford's procrastination with his promised large volume orders is having a depressing affect upon the steel industry, as well as upon the automobile industry. Small orders for some 20,000 to 30,000 cars have been placed by Ford, according to the *Iron Age*, but this represents but a fraction of the contemplated schedule. It now appears that it will be nearer April than March that any substantial gain in production will be witnessed. In the meantime, minimum schedules of production characterize most other motor plants.

Price stabilization efforts are becoming more widespread, though the real test of the newly posted advances is yet to come. Sheet producers have joined the group of steel product manufacturers with advanced quotations. Many steel leaders believe that the lack of stability and the uncertainty of the future trend of prices have caused consumers to hold off orders as long as possible and to place only minimum requirements. It has also encouraged shopping around for the best price offers. The belief prevails that the old prices will hold for any large orders from the motor industry that may be placed in the next few weeks, while the new prices will be quoted for the less profitable small orders.

March building data are not yet available for the 37 states covered by the F. W. Dodge Corp. In the past, this month has shown an increase over February that often exceeded 50%. The first quarter returns thus far are not very cheerful. Total rewards for the first 2 months are 62.5% below the same period last year, which is considerably

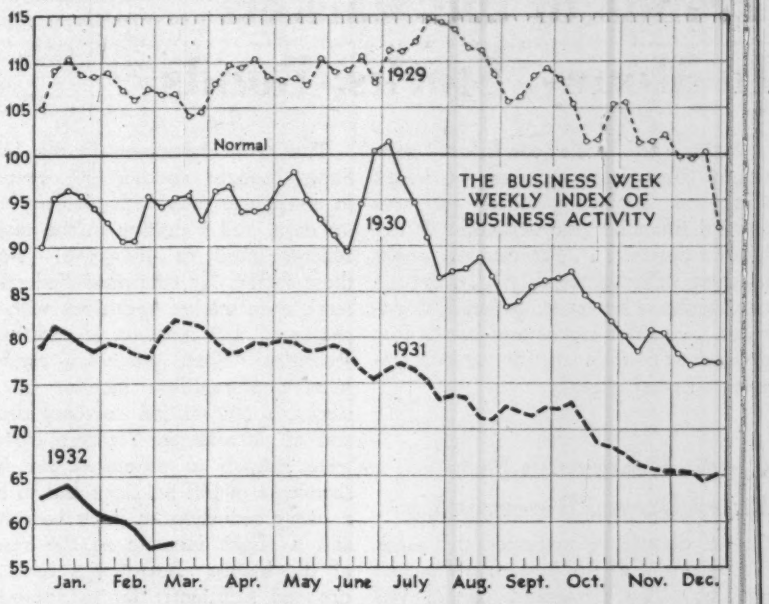
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*58.1	†57.7	82.0	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	25	27	56	80
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,893	$3,773	$10,510	$15,773
Bituminous Coal (daily average, 1,000 tons)	*959	†1,092	1,284	1,704
Electric Power (millions K.W.H.)	1,538	1,520	1,676	1,606
TRADE				
Total Carloadings (daily average, 1,000 cars)	93	96	121	150
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	65	62	81	98
Check Payments (outside N. Y. City, millions)	$3,022	$3,557	$4,087	$5,246
Money in Circulation (daily average, millions)	$5,563	$5,594	$4,587	$4,676
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.53	$.52	$.70	$1.12
Cotton (middling, New York, lb.)	.070	$.071	$.110	$.161
Iron and Steel (STEEL composite, ton)	$29.55	$29.53	$31.71	$35.15
Copper (electrolytic, f.o.b. refinery, lb.)	$.058	$.058	$.098	$.151
All Commodities (Fisher's Index, 1926=100)	63.3	62.9	76.0	91.0
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,705	$1,731	$947	$1,184
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,305	$19,523	$22,577	$21,655
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,010	$7,148	$8,140	$8,652
Security Loans, Federal Reserve reporting member banks (millions)	$5,426	$5,440	$7,237	$6,992
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$561	$552	$1,913	$3,633
Stock Prices (average 100 stocks, Herald-Tribune)	$92.07	$93.75	$137.85	$154.13
Bond Prices (Dow, Jones, average 40 bonds)	$81.79	$81.30	$96.44	$96.45
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.7%	4.3%
Interest Rates—Prime Commercial Paper (4-6 months)	3½-3¾%	3½%-3¾%	2.5%	4.1%
Business Failures (Dun, number)	685	659	565	505

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



under the sanguine estimates made at the beginning of the year.

Further analysis of the February construction data reveals that 6 of the 13 territories covered by the F. W. Dodge Corp. reported gains over January in total awards. The Chicago and South Michigan regions reported gains in public works compared with a year ago, while the New Orleans territory showed gains in residential awards. While the states as a whole reported an 11% decline in residential contracts from the preceding month, 6 regions were able to better the January totals. Improvements over January appeared more prominently in states other than the Northeastern and Atlantic states.

Bituminous coal production fell 9% during the week of Mar. 5 to a daily average of less than a million tons. The cold snap of the past week has stimulated coal sales and necessitated rush shipments from the mines. Our adjusted index declined to 47% of normal.

Electric Power

Unusual cold temperatures have also affected electric power production figures for the week of Mar. 12, causing a sharp increase. The usual trend of this series is downward in the spring of the year, so the adjusted index was forced up one point to 75% of normal. The special analysis of the January electric power data made by the National Electric Light Association indicates that consumption by domestic users is still being maintained above a year ago by 2.1%, but that consumption by the large commercial users has fallen by 12.1%.

Only a few classifications of revenue freight registered an increase over the preceding holiday week, but these included the 2 important groups of miscellaneous and less than carlot freight upon which our adjusted index is based. The sharp gain in these groups lifted our index to 58% of normal. While total loadings for the week of Mar. 5 were the lowest for any full time week of the year to date, the 2 major trade groups reached a peak nearly 17% above the week ending Jan. 2.

Check Payments

Check payments declined a little less than customary for the week of Mar. 9 in the 140 cities outside of New York. Our index based on the past 2 weeks made a 4 point gain to 67% of normal. In February, the total volume of check payments is affected by the shorter month. The decline from January was less severe in the 131 small cities than in the financial centers of the country. The total volume of check payments in the 131 cities, placed at $5.8 billions, is the lowest in 10 years.

Currency circulation, or more correctly expressed, the volume of currency outside the Treasury and the Federal Reserve banks, continues to decline. The adjusted index remains unchanged at 47% above normal for the week ending Mar. 12. Bank closings for the first 10 days of March total only 13. Postal savings continue to climb, with a new high record established for Feb. 28 of more than $683 millions, a gain of over $25 millions since January.

Commercial loans were sharply contracted during the week of Mar. 9, being $138 millions lower than the preceding week. Our adjusted index declined to 9% above normal. The showing is disappointing, but seems to parallel the further downward revisions of trade made by merchants everywhere.

Commodity price indexes covering the week ending Mar. 12 generally showed slight increases. But following the spectacular foreign events of the week-end both stock and commodity markets tended to sag. Corn and wheat markets lost ground slowly. The gift of 40 millions of bushels from the Farm Board's holdings without compensation for wheat bought at an average price of 82¢ a bushel is not favorably received by the Board officials.

Cotton and Metals

Cotton prices have moved slightly downward, but are still above the January lows. Exports are more than a million bales above a year ago. World consumption of American cotton for the 6 months ending with January is greater than the preceding year. Sales of cotton cloth during February were slightly greater than the month's production.

Settlement of the copper curtailment problem caused little excitement in the non-ferrous markets. Selling pressure was relieved with the agreed reduction of activity to 20% of capacity on Apr. 1. Copper and zinc were steady. Lead made a new low for the present movement. Tin was irregular, as was silver.

Rubber and cocoa made gains until after Mar. 12. Coffee and sugar prices continue weak.

Trends of the Markets In Money, Stocks, Bonds

Easing of credit conditions continued throughout most of the world this week, including steady progress toward financial reconstruction in the United States. . . . Pressure on banks is being relieved steadily. . . . Securities markets, however, pointed downward. . . . Both stocks and bonds lost ground as confidence, for various reasons, receded slightly.

Credit Relaxation Puts Rates Down, Reserves Up

CREDIT relaxation continued this week through most of the important financial nations. The movement abroad was especially marked in England, Austria, Japan, while steady progress continued in the United States. Excepting in the securities markets no blighting effects of the Kreuger affair were noticeable, though some feared that the sensitive financial plant might be seriously injured (page 5).

In the United States the week was marked by the extensive governmental financial operations of March 15 financing, income tax payments and interest payments, but the Treasury and the Reserve banks have now so refined their technique as to relieve the money markets of any effect.

The credit relaxation in the United States brought another ⅛% reduction in acceptance rates with maturity up to 90 days, and a decline in the rate for federal funds to ½%@¾%. Behind these factors lay continued Federal Reserve open market operations with purchases of $57 millions of government securities. These purchases, combined with a $12-million increase in gold stocks, a $22-million currency decline, and an increase in Treasury currency, were enough to counteract the heavy shrinkage in bill holdings and to bring a heavy reduction in bank borrowings and a slight increase in the reserves of the banks. Borrowings have now dropped sufficiently far to approach a point where many banks may feel sufficient relief from pressure to expand credit.

New York City banks are now entirely out of debt to the Federal Reserve, and have some excess reserves. This week's figures show a marked increase in their credit outstanding; however, this was almost entirely due to the large amount of the new government securities which they purchased.

For the entire country latest figures available are for a week earlier than those given in the New York reports. They reveal a drastic liquidation of credit. This, however, also was probably largely due to a special circumstance—repayment of the British credit.

Federal Reserve credit declined appreciably for the week despite the open market operations. This however is not discouraging—except to the more radical expansionists—in view of the steady reduction of borrowings and the gradual increase of reserve balances.

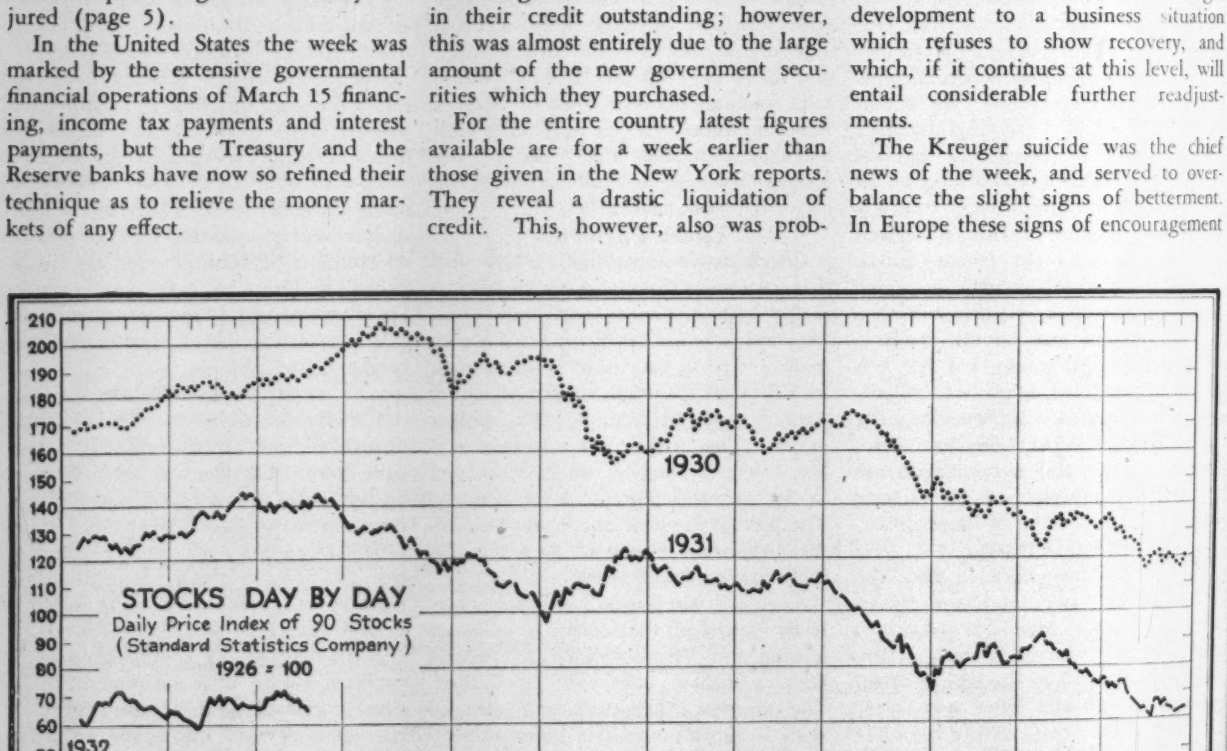
Foreign Exchanges Steady

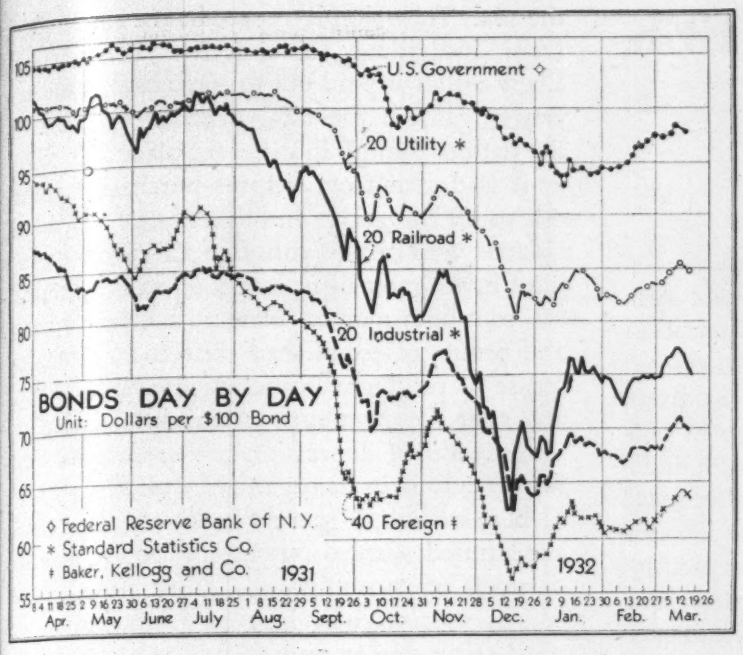
Foreign exchanges were relatively steady. The dollar appreciated fractionally in most, though several were unchanged in net for the week. Britain's further ½% reduction of her discount rate was both a manifestation of relaxing credit and of her attempts to manage currency and exchange without the steadying effect of a gold base. The Austrian discount rate reduction probably was a move of desperation, and Japan's cut was somewhat extra-financial.

Kreuger Crisis Tends To Weaken Stock List

STEADY downward reaction in common stock prices this week simply reflected the addition of the unfavorable Kreuger development to a business situation which refuses to show recovery, and which, if it continues at this level, will entail considerable further readjustments.

The Kreuger suicide was the chief news of the week, and served to overbalance the slight signs of betterment. In Europe these signs of encouragement





included the heavy Hindenburg vote and new reports of a reparation accord between France and England. The former factor, however, had largely been discounted; the later is still intangible.

Here, new doubt concerning the adequacy of the fiscal program under discussion at Washington was disturbing to many, and development of decided weakness in the bond market had a blighting effect on sentiment. The result was some selling, which according to report was augmented by an increased volume of short sales. The market, however, continued dull, and the volume of transactions at a low level.

Railroads continue to be a drag on the market. Their decline this week was somewhat more than the average for the market. Despite all that has been done for them, the speculative and investment community is in a highly dubious state of mind regarding the future of the roads.

Aside from the rails, the market's chief weakness developed in shares of copper, motor, chemical, and public utility companies. Steel issues had a bad week despite the reassurances contained in the annual report signed by Messrs. Morgan and Farrell.

Weight of New Bonds Helps Depress Market

BOND prices turned downward along with stocks this week; again the 2 types of securities are moving in a similar direction. The railroad issues were outstanding in their weakness; utilities fared relatively the best; all types distinctly lost ground.

Some decline, if only a brief one, was perhaps to have been expected after the long and encouraging recovery. However, there is no certainty that this reaction is merely of such technical character. In any event it takes its place among discouraging factors of the week.

Causes of the Change

Several causes appear to explain the change in trend. One is some profit taking after the considerable rally in bond prices in recent weeks. A second is some loss of financial confidence due to the lack of recovery in business, on top of which was piled the disconcerting Kreuger affair. A third was a decidedly heavier volume of new offerings. And a fourth was the raising of serious doubts regarding the government's financial position and the adequacy of the present tax bill.

The new issue volume was of course inevitable: in fact one of the reasons the business world hopes for a strong bond market is so that essential financing may be possible. And doubtless volume would have been even larger but for some self control among the issuing houses.

Municipalities took the bulk of the new money raised in the market. Their demand is perhaps the most urgent, and many feel that relief of their financial stress would be one of the most constructive factors which could develop at this time.

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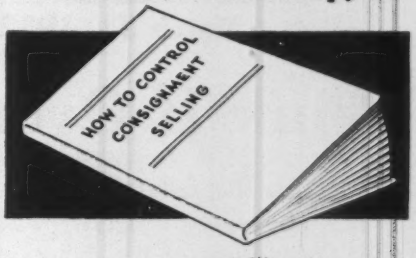

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

March 23, 1932

Think It Over

BALANCING the federal budget to avoid borrowing, and doing it mainly with consumption taxes, is only one of the deflationary forces being applied through our fiscal policies in direct opposition to other governmental efforts to promote expansion. State and local public expenditures are being blindly slashed in the fiscal hysteria sweeping the country. Social services indispensable in a complex and matured industrial civilization, including even education, are being recklessly curtailed. Communities are everywhere engaged in the suicidal effort to maintain their private standard of living by deflating the public standard of living and returning to the pioneer conception of government as consisting of a sheriff, a post-office, and the extravagance of a little red schoolhouse.

This kind of economy is not only futile and foolish, it is in direct contradiction of the fundamental economic forces at work in every advanced industrial nation, especially during periods of depression. At such times the demand for public services does not decrease. We need more, not less, police and fire protection, more educational effort to conserve and develop the assets of the community when more of its members are idle. At such times, too, more of its capital and credit is unused as private consumption of goods and services is curtailed. But at all times the problem that confronts every developed industrial community is to increase its collective consumption of social services which raise its standard of living, by converting an increasing proportion of its surplus capital into current consumer purchasing power.

This is essentially what happens when, on the Ides of March or at any time, we pay taxes to federal, state, and local governments, or when they borrow to pay expenses and make improvements in public facilities. The twelve billions of taxes collected and spent each year are not deducted from the national income and cast into the sea. They simply represent the sum shifted from individual to collective consumption. Every dollar is paid out to some citizen and appears again in the total purchasing power of the nation, though in different places. In so far as it is drawn from surplus purchasing power not spent for goods and services by individual citizens who cannot consume all they earn, but must invest most of it, its net effect is to expand the consumer market, increase business activity and profits of established concerns, prevent increase of productive capacity already excessive, and raise the community standard of living.

A period of depression is therefore the time for the public in its organized capacity not only to borrow but to spend; to divert idle capital and unused surplus purchasing power into the channels of consumption. When private business is paralyzed by lack of private consumer purchasing power, public business and collective consumption become of paramount importance. When private credit is crippled it is imperative to utilize the public credit to the fullest extent, to avoid increased taxation altogether or at least avoid increasing the burden on consumers, and to use in advance part of the future productive power of the people to increase their current consumption. If the banking mechanism is unable or unwilling to mobilize the money and credit necessary to enable the public to utilize future purchasing power for present need, the community must and can use other means of accomplishing this end. After all, the private banking system has merely been granted a franchise as a public utility to manufacture money and credit for the convenience of the community. If it fails to perform this necessary service, Congress must assume again its constitutional powers to "coin money and regulate the value thereof" which it has delegated to the banks.

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